2007

ANNUAL REPORT

SAINT-GOBAIN

Saint-Gobain employs **206,000 people** and operates in **57 countries**. Its ambition is worldwide leadership in construction markets, with innovative solutions to meet the fundamental global challenges of growth, energy and the environment.

(in € millions)	2005 (1)	2006	2007
NET SALES	**35,110**	**41,596**	**43,421**
Operating income	2,860	3,714	**4,108**
Net income (2)	1,284	1,702	**2,114**
Earnings per share (in €)	3.72	4.62	**5.65**
Recurring net income	1,264	1,637	**1,487**
Recurring earnings per share (in €)	3.66	4.44	**3.97**
Cash flow from operations	2,735	3,347	**3,762**
Capital expenditure	1,756	2,191	**2,273**
Number of shares	345,256,270	368,419,723	**374,216,152**
Net dividend (in €)	1.36	1.70	**2.05***
Share price high (in €)	51.55	64.30	**85.85**
Share price low (in €)	43.20	49.06	**62.60**
Closing price for the year	50.25	63.65	**64.49**
Workforce (at December 31)	199,630	206,940	**205,730**

(1) Including the BPB group, fully consolidated as of December 1, 2005.

(2) Excluding capital gains and losses, asset write-downs and the provision for Flat Glass fines (European Commission).

* Submitted for approval to the General Shareholders' Meeting of June 5, 2008.

The Saint-Gobain Group enjoyed upbeat trading activity in 2007, delivering 5% organic growth (including a 3.7% price impact and a 1.3% volume effect) despite the slowdown observed in the second half of the year and a high comparison basis in 2006.

Message

from the Chairman of the Board and the Chief Executive Officer

"Developing new **materials** and **services** for the **house of the future**"

Pierre-André de Chalendar
Chief Executive Officer

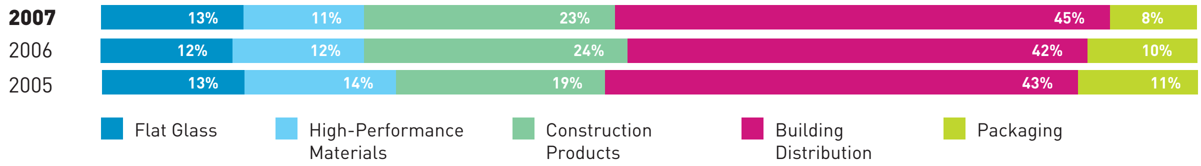
Jean-Louis Beffa
Chairman of the Board of Directors

Saint-Gobain enjoyed an upbeat 2007, delivering strong financial and business results. With more than 10% growth in operating income and a 24% surge in recurring net income, we outperformed our targets – which had been raised following an excellent year in 2006 – despite the more challenging international economic climate. The Group's sustained performance on European markets and rapid development in emerging countries broadly offset the impact of the US real estate crisis and of rising energy prices. These results serve to confirm the validity of our business model.

2007 was also characterized by a certain number of changes within the Group. Firstly, on an organizational level, the functions of Chairman of the Board of Directors and Chief Executive Officer were separated during the year. Secondly, we reaffirmed our strategy of refocusing Saint-Gobain on habitat and construction markets, in the broad sense of the term, by targeting world leadership in that sector. Given the huge energy saving potential that these markets offer, this approach ensures that the Group remains at the heart of today's key challenges and represents a tremendous opportunity to keep in step with the "green revolution" in the construction and housing markets over the coming years. We are well placed for growth in this sector, with our unique positioning, exceptional skills base and solutions for every phase of economic development. In addition, research and innovation efforts aimed at inventing new materials for the house of the future are continuing apace. Lastly, 2007 saw a change in our ownership structure with Wendel's acquisition of an interest in the Group. An agreement was subsequently signed in March 2008, setting out the terms and conditions under which Wendel will play a role in our corporate governance.

In light of the Group's strength and the actions undertaken in all businesses, we are confident that 2008 will see us well on the way to meeting our 2010 targets.

• Breakdown of net sales by sector

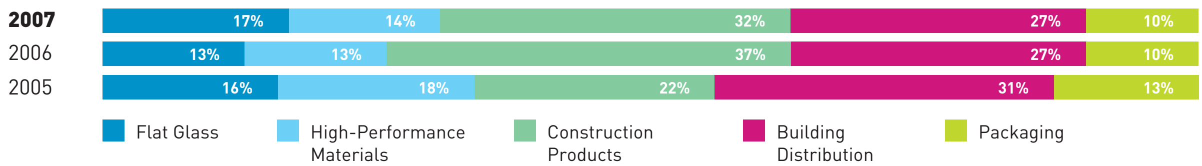


Performance in 2007 was driven by all five Saint-Gobain sectors, with contributions most pronounced in businesses addressing the European construction markets (Flat Glass, Building Distribution, Interior Solutions), where vigorous demand was bolstered by new regulations promoting energy efficiency in buildings. This strong momentum more than offset the downturn on the US construction market.

• Breakdown of net sales by major geographic area

Breakdown of organic growth by geographical region shows a distinct contrast between the 7.1% drop in North America and sustained growth in the rest of the world. Sales rose by 5.2% in France and by 6% in the rest of western Europe. The most vigorous performance was in emerging countries and Asia, with organic growth at 16.5%.

• Breakdown of operating income by sector



• Breakdown of operating income by major geographic area

The Group's operating margin, which notched up gains in each half of the year, advanced to 9.5% of sales (12% excluding Building Distribution), compared with 8.9% of sales in 2006 (10.9% excluding Building Distribution). Profitability rose in all geographical regions except North America.

Operating income jumped 10.6%, or 11.4% at constant exchange rates.

2007
Annual report

This English-language version of the annual report is a free translation of the original French text. It is not a binding document. In the event of a conflict of interpretation, reference should be made to the French version which is the authentic text. The auditors' report applies to the French version of the Management Report and the financial statements.

This registration document was filed with the *Autorité des Marchés Financiers* on April 8, 2008 under number D.08-0214, in accordance with Article 212-13 of the AMF's General Regulation. It may be used as a supporting document for a financial operation, but only alongside an information memorandum approved by the *Autorité des Marchés Financiers*.

Contents

Saint-Gobain today

A world leader in construction

The origins of the Saint-Gobain Group go back to the founding in France of the *Manufacture des Glaces de Miroirs* (Royal Mirror Glass Works) in 1665. Over the course of its development and diversification in the intervening years, the Group has consistently been at the forefront of successive industrial and technological revolutions. Today, Saint-Gobain operates in 57 countries, driven by a policy of ongoing profitable growth. Strengthened by the evolution of its business portfolio over the last 20 years and ambitious organizational and strategic changes, the Group is well placed to meet the challenges of a global economy.

Clear strategic choices

Saint-Gobain's focus is now honed on Habitat and Construction markets in the widest sense of the term.
Its newly defined aim is to become a world leader in Habitat and Construction markets by offering innovative solutions to meet the global fundamental challenges of growth, energy and the environment. Construction markets offer Saint-Gobain's businesses strong potential for growth and development, particularly in terms of environmental concerns (conservation and energy efficiency), which call for bespoke, sustainable solutions. In Europe for example, buildings account for 40% of all energy consumed, three quarters of which is consumed by heating. Saint-Gobain has leveraged its expertise to develop products and services providing tangible solutions to these environmental imperatives. These include insulating glass, low-emissivity and solar glass, and insulating materials such as glass wool, plasterboard and external thermal insulation systems.
With a total of 4,000 building materials outlets operating under a variety of banners, Saint-Gobain can also offer project owners and customers an unparalleled distribution network.
Thanks to its glass research programs, Saint-Gobain has also positioned itself as a leading supplier of glass plates on the fast-growing market for thermal (hot water) and photovoltaic (electricity storage) solar energy.

Unique positioning

The Group's strong mix of expertise means that it is uniquely positioned to meet the needs of attractive, fast-growing markets. Saint-Gobain's offering is further enhanced by:

- worldwide leadership[1] in all of its businesses, with local solutions tailored to the needs of emerging and developed markets;
- solutions that combine products and services adapted to the needs of its customers;
- outstanding potential for innovation, thanks to its industrial expertise and broad-ranging skills in materials;
- an unrivalled portfolio of products and solutions in the fields of energy and the environment.

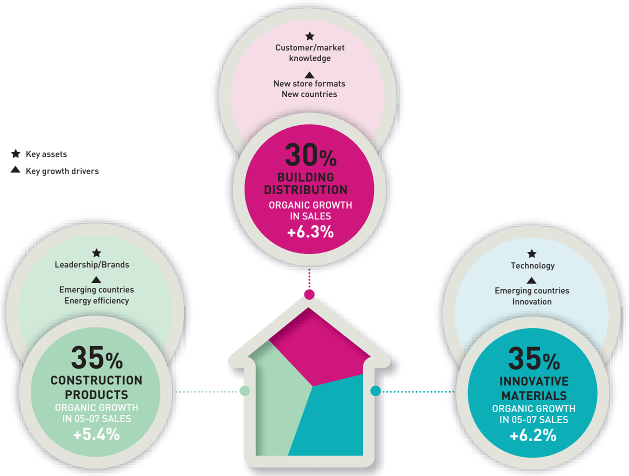
Taking stock of its strengths, from 2004 to 2007 the Group gradually shifted its focus to Construction markets, which already accounted for 60% of its sales in 2004. Saint-Gobain's acquisition of BPB in 2005 and Norandex in 2007 (marking its entry into the North American distribution market), together with Maxit, its latest acquisition expected to be completed in the first quarter of 2008, mean that Construction markets will represent almost 85% of sales by 2008. These acquisitions have added €10 billion in sales, while the disposal of non-core businesses (Plastic Pump dispensers, Flasks, Reinforcements & Composites) brought in €1.5 billion.

A recast business model

The Group's new global strategy is rooted in a business model generating vigorous but measured growth. Its businesses are centered around three core end-markets: Construction Products (35% of operating income in 2007), Innovative Materials (35%) and Building Distribution (30%). Based on this focus, Saint-Gobain will seek to optimize costs and implement growth synergies in order to forge a more integrated Group.

1 - Source: Saint-Gobain.

A business model generating vigorous measured growth



Breakdown of 2007 operating income

Nevertheless, each of the Group's core businesses has its own particular strengths and is driven by different growth dynamics. The Construction Products business, which has reported 5.4% organic growth over the last three years, is bolstered by unrivalled leadership and high-performing brands. Growth is driven by emerging countries and in particular, the search for energy-efficient solutions. Building Distribution (6.3% organic growth over the same period) derives its strength from the customer and market knowledge acquired through its global brands and through the creation of new store concepts and formats, including stores adapted to new markets. The Innovative Materials business, comprising Flat Glass and High-Performance Materials, has a predominantly technological focus and accounts for 80% of the Group's Research & Development efforts and cross-fertilization initiatives. R&D activities are focused particularly on innovation and emerging countries. Examples of this momentum in action are the successful creation of a world leader in interior solutions by combining the skills of Isover and BPB from 2005, the fast-paced growth of the distribution business in Scandinavia thanks to the acquisitions of Dahl and Optimera; and the leading position built up in the market for photovoltaic glass in the space of just two years with a global market share of 30%[1].

The second focus of the business model is to use the Group's strong positions across the globe to respond to the evolving needs of different Construction markets. While Construction markets offer significant potential for lasting growth, both in developed countries (modernization and renovation of existing buildings and regulations for new buildings) and emerging markets (infrastructure needs, impact of changing demographics and urbanization), each market is at a different stage in its development cycle. Building on its unique international positioning, Saint-Gobain is able to adapt its global presence by offering appropriate bespoke solutions in local markets.

Water supply is the most pressing need in emerging countries and represents a crucial issue for our planet in the 21st century. Pont-à-Mousson is the world's leading manufacturer of pipe and has extensive experience of major international markets. It has also been a front-runner in supplying mortars, plasterboard and glass to new markets. The interior solutions business (plasterboard and insulation) is particularly well adapted to developed countries or countries undergoing profound economic changes. The business will initially concentrate on colder climes, with solutions for warmer countries to be considered at a later stage. Building Distribution develops the opportunities created by interior solutions, with a wide range of customized concepts and formats. All Innovative Materials businesses can address the needs of developed countries for energy-efficient solutions and renewable energy sources, and more generally the demand for eco-friendly, state-of-the-art homes. Saint-Gobain is therefore ideally placed to offer its combined skills and expertise at each stage of development.

Three priorities

The Group's strategy over the next few years will be driven by three priorities:

- Accelerated development in emerging countries, which should account for one-third of sales by 2010 (excluding Building Distribution). Between 2005 and 2007, emerging countries contributed significantly to the Group's growth dynamic, representing 36% of organic growth and 47% of growth in operating income. The Group invested heavily in emerging markets in 2007, with an outlay of €1 billion, or 50% of the Group's total capital expenditure excluding Distribution. Twenty-four new plants came into operation and numerous projects were launched, including plasterboard plants in Abu Dhabi, Russia and Hungary; a new insulation line in Poland; flat glass facilities in Colombia and Egypt; and a high-performance materials plant in Mexico, Venezuela, India, China and Poland.
- Environment, energy efficiency and innovation: to partner the "green revolution" taking hold of the building industry, Saint-Gobain is able to leverage three key strengths – global leadership in Construction markets, customer support *via* Building Distribution, and a capacity for innovation – to offer novel solutions for state-of-the-art homes (thermal, acoustic and aesthetic comfort and fire protection). Around 30% of the Group's sales and 40% of its operating income are derived from markets related to energy efficiency.
- Operational excellence: the Group has launched concrete programs to optimize activities and unlock research synergies allowing costs to be scaled back. The main projects are Symphonie aimed at reducing overheads, Procure for centralizing purchases (with 50% purchases covered in 2007), and World Class Manufacturing, which had benefited all businesses at the end of 2007. It is hoped that these versatile programs will generate average annual cost savings of €300 million by 2010.

1 - Source Saint-Gobain.

Concrete objectives

By 2010, the roll-out of the Group's dynamic strategy should be complete, with:

- organic growth investments in emerging countries;
- acquisitions in these countries underpinned by three priorities: increased capacity for innovation and stronger Distribution capabilities;
- strong focus on innovation and R&D, particularly in the fields of energy and the environment, and their application in Construction markets.

For the period 2007-2010, Saint-Gobain is targeting an average annual increase of 5% in organic growth and 10% in earnings per share. The Group has lifted its capital employed targets to an ROI of between 22% and 25% (from 20%) and an ROCE of between 13% and 14% (from 12%).

STRATEGIC REFOCUS ON HABITAT AND CONSTRUCTION MARKETS

As part of its strategic refocus on Habitat and Construction markets, Saint-Gobain continued to actively manage its business portfolio in 2007, with the sale of non-strategic assets for €1,216 million (including €960 million in equity investments net of cash divested and €256 million in fixed assets) and the acquisition of 70 companies for a total share value of €965 million net of cash acquired.

The Group's divestments included 80% of Saint-Gobain Desjonquères, which manufactures glass flasks for the perfume and pharmaceutical industries, and the Reinforcements & Composites business (High-Performance Materials Sector), sold to Owens Corning at the end 2007. The Group has also announced its intention to sell all of its Packaging business in the coming year.

Against these divestments, 70 acquisitions added €1.7 billion in total full-year sales. The acquisitions include 53 in the Building Distribution Sector for a total investment of €582 million and 10 in the Construction Products business for a total amount of €226 million. The other seven acquisitions were made in the Flat Glass and High-Performance Materials sectors. The acquisitions carried out by the Building Distribution Sector in France, Scandinavia, the United Kingdom and the United States added 291 new outlets to the Distribution network. In the United States, the sector's footprint was significantly expanded with the targeted acquisition of Norandex, US manufacturer and distributor of vinyl sidings.

The 10 companies acquired by the Construction Products business are based mainly in emerging countries. Six specialize in Gypsum, two in Mortars, and two in Insulation. In August, Saint-Gobain announced it had entered into an agreement to purchase the German-Scandinavian outfit Maxit (HeidelbergCement group). Maxit enjoys a leading position on several key mortar markets and has 103 plants in 30 countries. The acquisition was approved by the European competition authorities in early March 2008 but will only be effective at the end of April. The transaction will enable the Mortars business to double in size, and offers an excellent geographical fit with Saint-Gobain Weber.

Ten year consolidated financial summary

(in € millions)	2007	2006	2005 [1] (IFRS)	2004	2004	2003	2002	2001	2000	1999	1998
Net sales [2]	**43,421**	41,596	35,110	32,172	32,025	29,590	30,274	30,390	28,815	22,952	17,821
Operating income	**4,108**	3,714	2,860	2,743	2,632	2,442	2,582	2,681	2,693	2,314	1,776
Net income	**1,543**	1,682	1,294	1,275	1,120	1,065	1,074	1,174	1,642	1,389	1,182
Recurring net income	**2,114**	1,702	1,284	1,289	1,122	1,020	1,051	1,057	1,026	883	790
Recurring earnings per share (€)	**5.65**	4.62	3.72	3.78	3.29	2.93	12.32 3.08*	12.40	12.04	10.12	8.75
Net income attributable to equity holders of the parent	**1,487**	1,637	1,264	1,239	1,083	1,039	1,040	1,134	1,517	1,226	1,097
Earnings per share (€)	**3.97**	4.44	3.66	3.63	3.18	2.99	12.20 3.05*	13.30	17.80	14.05	12.15
Cash flow from operations	**3,762**	3,347	2,735	2,639	2,612	2,471	2,673	2,733	2,643	2,360	1,912
Total investment outlay [3]	**3,238**	2,775	8,747	2,197	2,194	1,911	2,061	2,246	4,694	3,479	3,019
Shareholders' equity	**15,267**	14,487	12,318	10,863	11,806	11,310	11,542	12,348	11,724	11,151	9,924
Net debt	**9,928**	11,599	12,850	6,218	5,566	5,657	7,012	7,792	8,217	6,306	3,885
Non-current assets	**26,041**	26,274	26,763	17,183	17,515	17,237	18,840	19,678	19,530	16,909	14,033
Working capital	**1,980**	2,451	2,324	3,181	4,943	5,247	3,951	3,075	3,222	2,612	1,838
Workforce (December 31)	**205,730**	206,940	199,630	181,228	181,228	172,811	172,357	173,329	171,125	164,698	117,287

(1) With BPB consolidated from December 1, 2005.
(2) Including ancillary revenue for €295 million in 2007, €273 million in 2006 and €250 million in 2005.
(3) Capital expenditure on plant and equipment plus investments in securities, excluding own share buybacks.

(*) After the four-for-one stock split of June 27, 2002.

Saint-Gobain businesses

Besides the three core segments and end-markets presented above, Saint-Gobain's operations are divided into five entities or sectors. The importance of each of these sectors to the Group changed slightly in 2007 due to various acquisitions as well as divestments in Packaging (Calmar, Desjonquères) and High-Performance Materials (Reinforcements & Composites) businesses. Building Distribution represented 45% of sales in 2007 (2006: 42%), Construction Products 26% (2006: 26%), Flat Glass 13% (2006: 12%), High-Performance Materials 11% (2006: 12%) and Packaging 8% (2006: 10%). On an aggregate basis, housing starts and renovation represent 75% of total sales across all businesses. Qualitatively speaking, the important acquisitions of the past few years have given each sector a highly complementary added-value profile. High-Performance Materials enjoys increased capacity for innovation thanks to Norton, and the Flat Glass Sector has also sharpened its innovative edge. Building Distribution brings added value through its services, while the added value of BPB and Construction Products businesses lies in their broad array of solutions.

The **Construction Products** (CP) sector includes interior products for the home such as insulating glass wool, plasterboard, and rock or glass wool acoustic ceilings, as well as exterior products such as wall facings, roofing, water supply, pipes, roadwork and utility connection components. The Construction Products Sector incorporates both multi-regional (Insulation and Building Materials) and global business lines (Pipe). In 2006, the integration of British Plaster Board (BPB) added the Gypsum business to the comprehensive array of products offered by the sector, which has become the world's leading supplier of interior solutions thanks to the excellent strategic fit between products and solutions proposed by the Gypsum and Insulation businesses.

The **Building Distribution** Sector initially emerged from the acquisition of Poliet group subsidiaries Point.P and Lapeyre to become Europe's leading distributor of building materials in Europe and the no. 1 distributor of tiling in the world(2). The Building Distribution business has developed considerably since 1996, through both organic growth and acquisition-led expansion in France (Point.P and Lapeyre), the United Kingdom (Jewson and Graham), the Netherlands and eastern Europe (Raab Karcher), and Nordic countries (Dahl and Optimera). The Group's acquisition of Norandex in 2007 considerably boosted its profile in North America and the Vemac acquisition gave it a foothold on the Italian distribution market. These transactions have allowed the Group to build up a presence on markets undergoing consolidation such as the United Kingdom, as well as on developing markets such as Brazil with Telhanorte.

The Innovative Materials segment includes High-Performance Materials and Flat Glass businesses. **Flat Glass** boasts three major business lines: the production of flat glass and the processing and distribution of construction glass and automotive glass. Its range of products for the building industry is rounded out by specialty glass, which includes fireproof glass, products for home appliances, nuclear safety glass and glass for electronic applications. Operations currently extend to 40 countries including many emerging countries, and vigorous international development continues apace. The business has 33 float glass lines across the globe, including seven joint ventures. A new facility is currently under construction in Poland.

The **High-Performance Materials** Sector focuses on products for industrial and construction markets. Its expertise lies in three families of materials: mineral ceramics (Ceramics, Grains and Powders, Abrasives, Crystals), performance polymers (Performance Plastics) and glass fabrics (Textile Solutions). Boasting an unrivalled portfolio of materials and technologies, the HPM Sector also rolls out solutions for the automotive industry (diesel particulate filters) and for construction markets, for example with photovoltaic applications (cutting of silicon substrates, plastic films for flexible solar panels), as well as provides lighting solutions drawing on the expertise acquired by Saint-Gobain Flat Glass.

The Group's **Packaging** business is the world's second-ranking producer of glass containers, and makes glass bottles and jars for foodstuffs and beverages. To address a broad range of markets and demands, the Packaging Sector operates production facilities in 12 countries across Europe, the United States (since 1995) and Latin America, and has sales outlets in 44 countries. It made inroads into Chile during 2006, taking a controlling interest in SG Envases and becoming the country's no. 2 manufacturer of bottles for wine. This helped the business strengthen its foothold in Latin America, where it already has five plants in Brazil and one in Argentina. In 2007, the Packaging Sector sold Saint-Gobain Desjonquères, which made glass flasks for the perfume and pharmaceutical industries.

Enhanced research and innovation efforts

Innovation has been at the heart of Saint-Gobain's business strategy for several years now, and has been deeply embedded in its different activities. Boosted by a growing R&D budget which has risen 25% over three years, Saint-Gobain has rolled out a series of strategic projects targeting new markets, and groupwide programs designed to develop synergies between its different businesses. The Group has also stepped up its partnerships with prestigious international organizations and universities in a bid to attract new talent. It has set up partnerships with startups developing leading-edge technologies. A number of specific initiatives involving representatives from both the R&D and marketing departments have also been launched to study and implement innovative solutions in Construction markets. Some 700 projects were in progress across the Group during the year.

1 - Source: Saint-Gobain.

CONSTRUCTION MARKETS AND INNOVATIVE MATERIALS

Saint-Gobain has designed its solutions for the Construction and lifestyle markets drawing on a broad-ranging analysis involving the Group's different businesses. Technological innovations used in manufacturing automotive glass can also be applied to Construction markets, for example. Innovation is also a priority in distribution, with the creation of new store concepts such as Mobissimo for timber-framed houses or Greenworks in the United Kingdom, the first sales outlet dedicated to renewable energy solutions.
The Group's Construction Products business has designed a prototype "Multi-Comfort House" and offers tried-and-tested passive solar model homes in Scandinavia. These two initiatives allow buildings to get by on little or no active heating. Saint-Gobain can bring a wealth of ecological solutions to the table, including insulating and sunproof glass, internal insulation, exterior thermal insulation for walls and roofs, acoustic insulation, alternative solar energy as opposed to energy derived from fossil fuels, the production of decentralized energy from fuel cells, savings on electricity consumption thanks to process innovation, and water supply and treatment.
This broad range of solutions leverages the synergies unlocked by the Innovative Materials business.
The Ceramics division develops new pellets for cutting photovoltaic cell supports equipped with flat glass panels. Pellets and powders are also used in the pigmentation of domestic ceramic tiles. Refractory products made in highly sophisticated furnaces are used to manufacture specialty glass for flat screens.
In Construction markets, abrasives are used to cut concrete walls and floors and in polishing and finishing interior materials. Crystals are the basis of LEDs which are used in the design of energy-efficient, state-of-the-art lighting systems and as a support for glass.
The Group's expertise in processing polymers helps to produce innovative films and composite fabrics for roofing applications. In particular, architectural membranes made of fluoro-polymer coated glass fabric are hailed for their hard-wearing, lightweight, UV-resistant and acoustic correction properties.

1 - Source: Saint-Gobain.

A project-focused policy

Major strategic projects representing technological innovations and aimed at breaking into new markets head up the Group's research efforts. Seven such projects were in progress during the year:

- Fuel cells: the SOFC project is designed to develop the production of ceramic components and powders for use in fuel cell applications and pursue partnerships with companies at the forefront of these technologies in a bid to become their strategic supplier.
- Photovoltaic applications: this project consists in improving the existing manufacturing process implemented by Avancis, a joint venture with Shell, and in developing optical performance conducting layered glass using new thin-film based technology.
- Glass for electronic applications: this project saw significant developments during the year, with the preparation of the first industrial trials for this high-growth market.
- Diesel particulate filters: the main responsibility for this project lies with the R&D teams at the Center for European Research (CREE) in Cavaillon (France) and Roedental (Germany), and its priority focus remains developing new products for customers.
- High-performance insulating materials: this research focus seeks to develop greater understanding of insulating materials and to design new materials such as aerogels and vacuum insulation products. The market analyses in progress cover existing solutions in both construction and non-construction markets.
- Polymer composites: the most recent developments in this project have paved the way for an analysis of polymer film applications in the building industry and for roofing in particular. Work will continue in this vein in 2008.
- Lighting applications: this project has two main focuses. A new method of developing sapphires for LEDs has resulted in the first prototypes due to be tested by customers in early 2008. The important technical findings of the associated project concerning OLED coated glass should open the door to new partnership agreements.

A number of cross-functional programs are also in place, designed to step up exchanges and synergies between the R&D teams at the Group's different businesses and research centers, and implement upstream measures that could simultaneously benefit various businesses.

Thanks to the "Surface protection" program, the Group has identified and categorized issues concerning in particular building materials, and has set up a project to identify the nature of the bio-organisms developing on the surface of mortars and synthetic roofs. It has also launched a project with Institut Pasteur to explore eco-friendly solutions to controlling the development of bio-organisms on the surface of materials.

The "Catalyse" program has helped further the catalyst programs associated with the diesel particulate filters project and has resulted in a joint initiative between Norpro and the CREE teams. The team combining researchers from France's research council (CNRS) and Saint-Gobain's research facility in Cavaillon plays an instrumental role in developing the "Catalyse" project at CREE.

Among the Group's other research programs, industrial solutions of interest to the Abrasives and Textile Solutions divisions have been identified by the project researching new binders. The "Innovative Furnaces and Glass" project has helped identify potential areas for development. These include pre-heated glass raw materials, new technologies for the production of rock wool and the isolated treatment of waste.

Soundproofing has become a major concern in the Construction industry. There is strong demand for new soundproofing solutions in both North America and Europe. To address these needs, a number of initiatives has been launched involving Insulation (ceilings), Mortars (tile adhesives), Gypsum (plasterboard with soundproof properties) and HPM (absorbent glass fabrics). This growing demand for acoustic comfort obviously concerns Flat Glass, which has been closely monitoring these developments for several years now. By combining its upstream initiatives and actions into a new cross-functional program ("Acoustique"), the Group is ideally placed to anticipate and partner these changes in the market. Along with photovoltaics, acoustic applications account for the greatest number of startups identified by the Group.

There were three emerging research programs during the year, paving the way for new strategic developments. Lapeyre marketed WoodProtect, its first range of hydrophobe wood. A subsequent strategic study identified further opportunities in new markets outside those served by Lapeyre, in both the United States and Europe. These opportunities should take shape in 2008. The "Purification de l'air" program also devoted to Construction markets is working to develop Quartzel photocatalytic substrates, although the sales outlook for this innovative product is still modest. The third project, known as "Minimage", works with STMicroeletronics to design optical systems for mobile telephones and enjoyed its first technical success stories in 2007. Two new emerging programs are to be launched in 2008, on energy efficiency and thermal inertia in buildings, and on the integration of photovoltaic cells in building architecture.

Innovation at the service of Construction markets

The priority given to Innovation and Construction markets has given rise to a number of broad-ranging initiatives. During the year, the Group launched creative workshops comprising both R&D and marketing staff from the Group's different businesses, including Distribution. These workshops identified a number of structural concepts which were grouped under the term "Quality of life", and helped develop Product/Market pairs (for example luminous textiles) and cross-functional action plans, for example involving Gypsum and Textile Solutions. This approach will continue in 2008.

In a similar vein, a number of analyses were undertaken with external partners. A program was also launched by the Construction Products Sector as part of the "Domopole" project, concerning the entire Group and its external partners. Leveraging the Group's marketing and R&D expertise, the program should result in the development of innovative materials or solutions for concrete initiatives (individual housing, joint projects), with a focus on energy, acoustic or lighting applications.

International cooperation and initiatives

The Saint-Gobain University Network (SUN) launched in 2006 became operational during the year. Projects were set up with the universities of Lomonosov (Russia), Harvard (United States) and São Paulo (Brazil), and with the Madras Institute of Technology (India). An agreement was signed with CNRS and a Saint-Gobain chair was set up with Ecole Polytechnique and ESPCI. In-depth discussions are ongoing with the University of California at Santa Barbara (United States) and NIMS (Japan). New contacts have also been established with the University of Aix-la-Chapelle (Germany) and MIT (United States). These initiatives support an active recruitment policy designed to identify high-potential individuals through long-term partnerships as well as internal research projects. The success of these recruitments, which do not rely exclusively on the SUN network, lies in international cooperation. These initiatives, together with the regular evaluation of in-house researchers, reflect the Group's cross-functional approach to its research community.

Techno-marketing and start-ups

Innovative projects are also identified thanks to the Group's active relationship with startup companies and its participation in venture capital funds. The NOVA project, for example, emerged initially from an HPM Sector initiative in 2006.

The project's two main components, a techno-marketing team and a team responsible for startups, have since been extremely active and developed considerably. Forty percent of techno-marketing activities are now focused outside the HPM Sector, with studies of hydrophobe wood, active glass, and high-performance insulating materials. Strong relations with startups allow the Group to swiftly identify new companies using a fairly extensive network which includes the NGEN investment fund in which Saint-Gobain is an investor. This approach opens many interesting doors. The NOVA Board meets twice every quarter and brings together senior figures including heads of sectors and top business managers. The meeting helps to give focus to opportunities and ensure effective organization and decision-making.

R&D efforts were stepped up on all fronts in 2007 and the momentum is to continue through 2008. The introduction of a framework for the Group's various research centers should bring their organizations into line with the objectives set.

The Saint-Gobain share

Stock exchange information

At December 31, 2007, Saint-Gobain ranked 20th in France as regards market capitalization (€24,125 million) and 9th as regards the volume of shares traded on the Eurolist of Euronext Paris (ISIN code: FR 0000 125007), with an average of 1,879,031 shares traded daily in 2007. Saint-Gobain stock is also traded on the principal European stock exchanges of Frankfurt, London, Zurich (since 1987), Amsterdam, and Brussels (since 1988). The average transaction volume on these foreign markets was also large, notably on the London Stock Exchange.

The Saint-Gobain share is also included on the DJ Euro Stoxx 50 index of 50 leading European stocks, and on the "Sustainable Development" indexes ASPI Eurozone, FTSE-4Good and ECPI.

The Saint-Gobain share forms part of the support shares on the traded options market of the Paris Stock Exchange (MONEP) and of the London Stock Exchange. The number of option transactions on the Paris Stock Exchange in Saint-Gobain shares was 593,214 lots in 2007, compared with 782,396 lots in 2006.

Highest and lowest share prices (source: Euronext Paris SA)

Year	High	Low	Year-end price
2005	51.55	43.20	50.25
2006	64.30	49.06	63.65
2007	85.85	62.60	64.49

Dividends

Year	Number of shares on which dividends are paid	Dividend per share (in €)	Yield based on closing price for the year
2005	345,256,270	1.36	2.71%
2006	368,419,723	1.70	2.67%
2007	374,216,152	2.05	3.18%

Dividends which are not claimed within five years of the date of payment become statute-barred and are then paid to the State.

Total shareholder return

Since the Company's privatization in December 1986: 12.4% per year

of which: +8.4% in share price gains
+4.0% in gross dividends (including the 50% *avoir fiscal* tax credit until 2004)

The calculation breaks down as follows:

- IPO price: FRF 310, or €11.81 (after the four-for-one stock split of June 27, 2002)
- payment of dividends in cash in 1987 and 1988
- reinvestment of dividends in shares between 1989 and 1997 inclusive
- payment of dividends in cash between 1998 and 2007 inclusive
- share price at December 31, 2007: €64.49

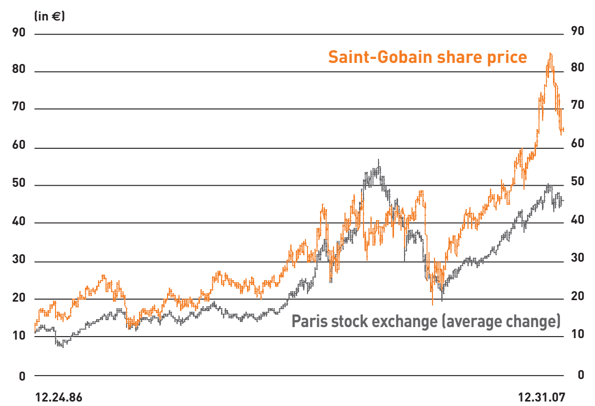
Over 10 years – from December 31, 1997 to December 31, 2007: 10.6% per year

of which: +7.1% in share price gains
+3.5% in gross dividends (including the 50% *avoir fiscal* tax credit until 2004)

The calculation breaks down as follows:

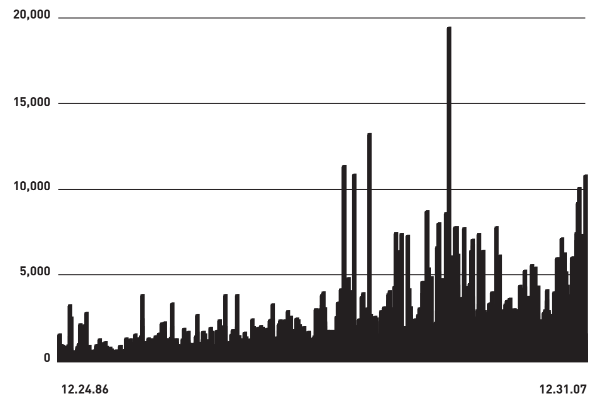
- share price at December 31, 1997: FRF 855, or €32.59 (after the four-for-one stock split of June 27, 2002)
- payment of dividends in cash between 1998 and 2007 inclusive
- share price at December 31, 2007: €64.49

Share price



Number of shares traded (in thousands)

After the four-for-one stock split in June 2002



Transactions since October 2006 (source: Euronext Paris SA)

Paris Stock Exchange	Volume of shares	Value (in €)	High (in €)	Low (in €)
2006				
October	35,112,254	2,040,827,215	59.40	56.90
November	44,931,800	2,672,314,101	62.00	56.65
December	36,888,300	2,251,979,963	64.30	58.55
Total	**116,932,354**	**6,965,121,279**		
2007				
January	57,080,322	3,950,997,244	74.40	63.70
February	45,988,492	3,347,088,793	75.35	69.05
March	57,603,627	4,048,432,330	73.98	67.20
April	40,942,300	3,065,538,738	79.15	72.00
May	40,296,529	3,228,882,057	82.20	78.00
June	61,884,622	5,016,050,497	84.95	77.50
July	51,836,360	4,296,602,519	85.85	79.40
August	74,524,120	5,917,243,117	83.13	75.76
September	101,264,332	7,341,449,456	80.48	68.95
October	86,588,331	6,305,049,607	77.60	68.10
November	68,339,383	4,707,923,997	74.24	62.69
December	49,390,314	3,301,047,867	71.34	62.60
Total	**735,738,732**	**54,526,306,223**		
2008				
January	76,727,021	4,200,962,561	65.26	46.50
February	68,161,252	3,572,434,573	57.10	49.00
March	60,392,323	3,011,520,860	52.75	45.41

Transactions since October 2006 (source: London Stock Exchange)

London Stock Exchange	Volume of shares	In £
2006		
October	11,701,230	459,073,668
November	15,553,234	624,666,294
December	10,220,631	416,670,131
Total	**37,475,095**	**1,500,410,093**
2007		
January	18,560,502	849,151,088
February	11,059,158	535,339,557
March	15,449,270	734,315,751
April	12,336,860	629,712,386
May	9,466,773	516,804,780
June	32,967,679	1,785,468,393
July	12,279,211	686,630,767
August	12,130,027	649,239,833
September	15,631,911	777,521,096
October*	18,320,857	920,814,245
Total	**158,202,248**	**8,084,997,895**

* Since the end of October 2007, the London Stock Exchange no longer provides transaction volumes.

A total of 526,900 shares were traded on the Frankfurt Stock Exchange in 2007 (source: Datastream).

Further to these transactions, the only Group companies, other than Compagnie de Saint-Gobain, which are currently listed on a regulated market are Saint-Gobain Oberland listed on the Frankfurt, Munich and Stuttgart stock exchanges, Hankuk Glass Industries listed in Seoul, Grindwell Norton and Saint-Gobain Sekurit India listed in Mumbai, Izocam listed in Istanbul, and Compania Industrial El Volcan listed in Santiago de Chile.

Océane bonds (Convertible into new shares or exchangeable for existing shares)

In February 2002, Compagnie de Saint-Gobain issued 4,380,953 five-year Océane bonds convertible into new shares or exchangeable for existing shares, for a total amount of €920 million. These bonds, which were quoted on Eurolist of Euronext Paris as from February 18, 2002, were removed from the Eurolist index on January 2, 2007. Bondholders elected to convert 4,355,403 bonds into new shares on December 20, 2006. Accordingly, 17,421,612 new shares were issued at December 31, 2006, resulting in a 4.96% rise in the number of shares issued and outstanding.

Following the conversion of a further 21,100 Océane bonds in 2007 (presented to the Group for conversion at a later date but still within the eligible conversion period), the 4,450 Océane bonds that were not presented for conversion were redeemed in cash at their par value (€210 per bond) on January 2, 2007, with an interest payment made at the same date in the amount of €5.5125 per bond.

Bonds

On April 11, 2007, Compagnie de Saint-Gobain issued €2.5 billion worth of bonds in two tranches, one representing €1.25 billion (annual coupon of 4.75%) maturing on April 11, 2017, and one for €1.25 billion (annual coupon of 3-month Euribor + 25 basis points) maturing on April 11, 2012.

These bonds are listed on the London Stock Exchange.

Non-voting participating securities

In June 1983, Compagnie de Saint-Gobain issued non-voting participating securities for FRF 700 million with an attached warrant giving the right to subscribe to an additional FRF 700 million of non-voting participating securities. In all, 1,288,299 securities of FRF 1,000 have been issued. Their par value now stands at €152.45 following the conversion into euros carried out in 1999.

Since their issue, the remuneration of the non-voting securities has always reached the maximum permitted under the terms of the prospectus, i.e., 125% of the average rate of interest on bonds (TMO). In view of 2007 earnings, the securities will continue to be remunerated at this maximum rate in 2008. Remuneration of the securities is between 75% and 125% of the TMO, based on the Group's consolidated earnings. The amount paid by security in 2007 in respect of the 2006 fiscal year was €7.73.

Transactions since October 2006 (source: Euronext Paris SA)

Paris Stock Exchange	Volume of shares	Value (in €)	High (in €)	Low (in €)
2006				
October	5,025	841,285	170.80	163.00
November	2,885	485,743	170.40	167.00
December	2,220	376,852	171.90	167.80
Total	**10,130**	**1,703,880**		
2007				
January	924	158,738	174.00	169.00
February	1,618	281,102	176.80	168.00
March	1,280	221,957	177.00	170.00
April	1,393	242,349	175.90	170.00
May	2,243	393,322	177.00	170.00
June	7,620	1,317,735	179.80	165.00
July	1,179	203,018	177.00	165.04
August	1,280	218,574	172.00	170.00
September	1,658	283,380	172.00	150.00
October	1,684	287,595	173.00	165.00
November	2,956	492,642	170.00	153.00
December	3,285	516,904	161.01	153.20
Total	**27,120**	**4,617,315**		
2008				
January	2,403	385,157	168.00	154.10
February	3,607	578,726	172.00	154.01
March	5,755	875,212	161.70	138.01

Transactions since October 2006 (source: Euronext Paris SA)

Paris Stock Exchange	Volume of shares	Value (in €)	High (in €)	Low (in €)
2006				
October	235	38,477	164.01	161.75
November	276	44,902	167.00	162.00
December	151	24,484	164.01	161.90
Total	**662**	**107,863**		
2007				
January	74	12,022	162.80	162.10
February	281	45,733	163.90	162.10
March	57	9,285	162.90	162.90
April	41	6,682	165.45	162.10
May	84	13,787	164.15	164.11
June	115	19,183	167.30	165.10
July	117	18,464	165.10	154.77
August	65	10,320	160.00	157.21
September	581	92,219	160.08	158.41
October	72	11,449	159.99	158.50
November	218	34,209	158.00	154.00
December	102	15,708	154.00	154.00
Total	**1,807**	**289,062**		
2008				
January	113	17,321	155.50	152.50
February	65	9,347	147.00	142.00
March	284	38,684	137.00	135.01

In April 1984, non-voting participating securities amounting to ECU 100 million were issued together with a warrant giving the right to acquire an equivalent number of participating securities in ECUs. In all, 194,633 securities of ECU 1,000 have been issued. Their par value is now €1,000.

The remuneration of the non-voting participating securities in ECUs comprises a fixed portion of 7.5% per annum applied to 60% of the par value of the security and a variable amount on the remaining 40% based on the consolidated net income of the previous year within the limits set by the prospectus. The total remuneration varies, depending on consolidated net income, between the average rate of interest on bonds (TMOE) less 0.50% and TMOE plus 1.75%. The amount accruing to each security in 2007 was €67.50, paid in two installments.

Transactions since October 2006
(source: Luxembourg Stock Exchange)

Luxembourg Stock Exchange	Volume of shares	Value (in €)	High (in €)	Low (in €)
2006				
December	2	2,400	1,200.00	1,200.00
Total	**2**	**2,400**		
2007				
June	4,000	4,720	1,180.00	1,180.00
August	4,000	4,720	1,180.00	1,180.00
November	10,000	11,785	1,178.50	1,178.50
Total	**18,000**	**21,225**		

In 2007, there were no other Compagnie de Saint-Gobain securities traded on a market other than shares, Océane bonds (delisted on January 2, 2007), bonds and non-voting participating securities.

Shareholders

Capital stock

At December 31, 2007, the capital stock of Compagnie de Saint-Gobain amounted to €1,496,864,608 breaking down into 374,216,152 ordinary shares with a par value of €4 each, compared with 368,419,723 shares at December 31, 2006. The number of shares increased by 5,796,429 during the year: 84,400 shares were issued in connection with the conversion of 21,100 Océane bonds; 4,981,609 shares were reserved for employees under the Group Savings Plan; and 730,420 shares were issued following the exercise of the same number of stock options.

Ownership structure

	December 31, 2007		December 31, 2006*		December 31, 2005	
	Capital stock	**Voting rights**	Capital stock	Voting rights	Capital stock	Voting rights
Wendel	**17.9%**	**17.2%**	0.2%	0.2%	-	-
Group Savings Plan	**6.3%**	**10.3%**	5.9%	10.1%	6%	10.3%
Caisse des Dépôts et Consignations	**3.3%**	**3.2%**	3.4%	3.3%	3%	2.9%
PREDICA	**1.7%**	**1.6%**	1.8%	1.7%	1.8%	1.7%
COGEMA	**1.6%**	**1.6%**	1.7%	1.7%	1.8%	1.8%
AXA group	**0.9%**	**1.0%**	1.4%	1.4%	1.2%	1.3%
Treasury stock	**1.2%**	**0**	1.8%	0	2.4%	0
Other	**67.10%**	**65.10%**	83.80%	81.60%	83.80%	82.00%
TOTAL	**100.00%**	**100.00%**	100.00%	100.00%	100.00%	100.00%

* After the conversion of Océane bonds.

To the best of the Company's knowledge, there are no agreements relating to the capital stock and the major shareholders mentioned above do not act in concert.

The percentage of the share capital held personally by members of the Board of Directors is below 0.5%. The same applies to Group Management.

Saint-Gobain does not hold any of its own shares other than those held in treasury stock mentioned above.

According to the December 31, 2007 official identification of holders of bearer shares, the number of shareholders is estimated to be around 220,000.

Since 1987, the Company's bylaws have provided that fully paid up shares registered for at least two years in the name of the same shareholder carry double voting rights. In addition, when the capital is increased by the capitalization of reserves, profits or issue premiums, a right to a double vote is granted on issue to each bonus share distributed free of charge to a shareholder owning shares conferring this right. Any share converted into bearer form or whose ownership is transferred loses the right to a double vote. Nevertheless, transfers resulting from an inheritance or from the liquidation of the joint estate of a husband and wife or donations inter vivos in respect of a husband, wife or parent entitled to share in the estate of an intestate, do not result in the loss of the right and do not interrupt the two-year period referred to above.

At December 31, 2007, the total number of voting rights calculated based on all the shares with voting rights, including shares without voting rights, was 392,612,347, for a total of 374,216,152 shares.

Given the 17,794,080 outstanding stock subscription options at that date, the capital at the same date would be made up of 392,010,232 shares assuming all rights were to be exercised.

Saint-Gobain received notification that the following thresholds were crossed in 2007 with regard to capital stock or voting rights:

- On June 29, 2007, Naxitis went above the 5% threshold with regard to capital stock and voting rights;
- On July 16, 2007, Naxitis went below the 5% threshold with regard to voting rights;
- On July 17, 2007, Naxitis went below the 5% threshold with regard to capital stock;
- On August 7, 2007, Naxitis went above the 5% threshold with regard to capital stock;
- On August 9, 2007, Naxitis went above the 5% threshold with regard to voting rights;
- On September 24, 2007, Wendel went above the 5% threshold with regard to capital stock;
- On September 25, 2007, Wendel went above the 5% threshold with regard to voting rights;
- On September 25, 2007, Naxitis went below the 5% threshold with regard to voting rights;
- On September 26, 2007, Naxitis went below the 5% threshold with regard to capital stock;
- On October 18, 2007, Wendel went above the 10% threshold with regard to capital stock and voting rights;
- On November 2, 2007, Wendel went above the 15% threshold with regard to capital stock;
- On November 7, 2007, Wendel went above the 15% threshold with regard to voting rights;
- On March 20, 2008, Wendel went above the 20% threshold with regard to capital stock.

When Wendel went above the 10% threshold with regard to capital stock and voting rights on October 18, 2007, the following statement was made regarding its intentions.
"Wendel declares:

- that it does not intend to take control of the company;
- that it is not acting in concert with a third party;
- that it reserves the possibility to increase its equity interest;
- that it is assessing the opportunity of being represented at the Board of Directors."

When Wendel went above the 20% threshold with regard to capital stock on March 20, 2008, the following statement was made regarding its intentions.
“Wendel declares:
- not to have the intention to take control of the company;
- not to act together with a third party;
- to reserve the possibility to increase its equity interest within the limit of 21.5% of the capital, according to the terms of Wendel's letter to Saint-Gobain of March 18, 2008;
- in accordance with this letter, with the support of the company's Board of Directors, Wendel will present two members of the Board for appointment at the Shareholders' Meeting of June 5, 2008, and one member of the Board for appointment at the Shareholders' Meeting called to approve the 2008 financial statements.”

Wendel stated that, at March 26, 2008, it indirectly held 20.62% of Saint-Gobain’s capital stock and 19.65% of its voting rights.
At the Board of Directors’ Meeting held on March 20, 2008, the Board accepted the proposals and commitments made by Wendel, as set out in Wendel’s letter to the Chairman of Compagnie de Saint-Gobain on March 18, 2008. This letter was published on March 20, 2008, and is presented here in its entirety:

Paris, March 18, 2008

Dear Mr Chairman,

Our discussions, which have been carried out in a spirit of partnership, have allowed us to explore together the conditions in which Wendel could participate in the governance of your company. We are therefore in a position to confirm the measures to be taken to allow us to make our contribution, as principal shareholder, to the development of Saint-Gobain in becoming part of its board of directors; and to provide you with the assurances which you have considered necessary.
As the principal shareholder of Saint-Gobain we intend to support its strategy, implemented by its Chief Executive Officer, to contribute to the realisation of its plans while providing stability to its shareholder base.

1. Voting Rights
Should Wendel be in the position where it were able to exercise, together or in concert, more than 34% of the votes of shareholders participating at a shareholders meeting of Saint-Gobain, solely though the holding of double voting rights, we are prepared to limit the exercise of such rights at that shareholders meeting so that Wendel did not surpass this threshold of 34%.[1]
These provisions will remain in effect until the conclusion of the annual shareholders meeting held in 2011.
All the above provisions limiting the voting rights of Wendel will cease to apply should any other shareholder surpass the threshold of 11% of the share capital of Saint-Gobain (alone or in concert) and in the case of a tender offer for Saint-Gobain.

2. Governance
We have noted that the governance of Saint-Gobain is in line with the principles established by AFEP and MEDEF.
We understand that you are considering proposing to the annual shareholders meeting of 5 June 2008 to increase the number of directors to 16 in order to maintain a sufficient number of independent directors, and we shall vote in favour of this resolution. In this context, our representation on the Board of Directors of Saint-Gobain would include three directors, of which the first two would be nominated by the Board of Directors at the annual shareholders meeting of 5 June 2008 and the third at the annual shareholders meeting of 2009.
A Strategy Committee will be established following the shareholders meeting of 5th June 2008. It will be comprised of three members. It will be chaired by an independent director and will include the Chief Executive Officer of Saint-Gobain and a director proposed by Wendel. This Committee will permit the continuation of the dialogue which we have engaged with the Executive Management of Saint-Gobain. It will meet six times per year in order to study the strategic plan, areas of potential improvement in the same and the strategic matters put forward by its members.
In addition, a director representing Wendel will be appointed to the Appointments Committee as from the shareholders meeting of 2008.
We also agree to reduce our representation on the Board of Directors of Saint-Gobain to one director should our holding in its share capital fall below 10%.
Furthermore, Wendel and the Executive Management will consult with each other, one month in advance of the relevant Board of Directors meeting, on any draft resolutions relating to matters other than those set out in (a) and (b) below and which are to be submitted to a shareholders meeting.
We shall submit no resolution to the vote of the shareholders of Saint-Gobain at the annual shareholders meeting of 2008 or 2009 unless approved in advanced by the Board of Directors.
More specifically, we are in a position to indicate to you that we shall vote as follows:

a) at the annual shareholders meeting of 5th June 2008:
1. for the adoption of a resolution similar to the 20th resolution adopted at the shareholders meeting of 7th June 2007; and
2. for the renewal of the mandate as director of the Chairman of the Board of Directors;

b) at the annual shareholders meeting of June 2009:
for the adoption of resolutions similar to resolutions 12 through 20 adopted at the extraordinary part of the shareholders meeting of Saint-Gobain of 7th June 2007.

1 - Wendel and Saint-Gobain will notify the arrangement thus agreed to the entity in charge of organising the holding of the shareholders meeting so that the latter can carry out the necessary calculations, of which it will inform the bureau of the meeting.

3. Evolution of the Holding of Wendel

We confirm to you that we shall not increase the direct or indirect holding of Wendel (alone or in concert) in the share capital of Saint-Gobain beyond the threshold of 21.5%.

Of course this provision will not apply in case of a reduction in the number of shares of Saint-Gobain or of Saint-Gobain acquiring its own shares – in either of which case Wendel would keep the number of shares held theretofore.

Furthermore, should there be an increase in the share capital of Saint-Gobain, Wendel will be entitled (should it wish to do so) to exercise its rights so as to maintain or increase its holding subject to the limit of 21.5% of the share capital.

However, the provisions above concerning the evolution of the holding of Wendel will cease to apply should any other shareholder, acting alone or in concert, surpass the threshold of 11% of the share capital of Saint-Gobain or in case of a tender offer for Saint-Gobain.

Finally, Wendel agrees not to join a tender offer if the terms thereof have not been approved by the Board of Directors of Saint-Gobain; to abstain from any action which would be susceptible of provoking, encouraging or favouring the success of any such tender offer and from publicly recommending the same; provided that Wendel shall remain free to accept, with respect to all or part of its shares, any such offer.

4. Right of First Offer

We share your desire to favour a stable and sound shareholder base. Therefore, should we consider transferring, in a single or in several transactions, shares representing at least 5% of the share capital of Saint-Gobain, to a limited number of persons, we shall inform the Executive Management of our plan and of the price which we wish to obtain.

The Executive Management will then have 5 business days from the time of the notification to arrange for the acquisition by a third party or by Saint-Gobain at the price indicated, the shares which it is proposed to sell. If such is not arranged, we shall be free to transfer the shares for a price no less than the price indicated. In any event, the Executive Management of Saint-Gobain will make its best efforts to contribute to the success of the transaction in a spirit of cooperation and partnership.

This right of first offer does not apply in case of a tender offer on Saint-Gobain for shares of Saint-Gobain in respect of which Wendel accepts a tender offer which has been declared valid.

5. Duration

The commitments which we are assuming in this letter will remain in force throughout a period expiring upon the conclusion of the annual shareholders meeting of Saint-Gobain in 2009, except for the provisions in respect of voting rights in paragraph 1 hereof.

We agree that these commitments thereafter be automatically renewed (save as below) for successive periods of 12 months through to the conclusion of the annual shareholders meeting of Saint-Gobain in 2011. However we shall be entitled to terminate these commitments by notice to Saint-Gobain at the latest two months prior to the next scheduled expiration date. In that case, the directors representing Wendel will resign from the Board of Directors effective upon expiration of this agreement.

Should any major disagreement arise between Wendel and the majority of the Board of Directors of Saint-Gobain, a conciliation procedure of two months duration will be organised. If, following this conciliation procedure, the disagreement remains, the directors of Wendel will resign at that time from the Board of Directors.

In the two cases set out here above, and except for the provisions relating to voting rights in paragraph 1 hereof, only the provisions of paragraphs 3 and 4 hereof concerning the evolution of our holding and the right of first offer given to Saint-Gobain shall remain in force: (a) in the case of non-renewal of the agreement – during the notification period provided for above; and (b) in case of a major disagreement – during the conciliation period also provided for above; furthermore, in each of these two cases, during a period of the ensuing two months, Wendel would be freed from its commitments if an shareholders meeting of Saint-Gobain, other than the combined annual shareholders meeting called upon to vote on proposed resolutions which are habitual for this kind of shareholders meeting, was called by the board of directors during any such notification or conciliation period or any ensuing two month period as provided for above.

6. Communication

It is agreed that neither of our two groups will publish a press release or publicly take a position regarding the other without having informed the other in advance.

Yours sincerely

Ernest-Antoine Seillière
Chairman of the Supervisory Board

Jean-Bernard Lafonta
Chairman of the Management Board

Changes in capital over the last five years

	Capital	Number of shares	
7-03	€1,390,164,428	347,541,107	Group Savings Plan: issue of 6,499,407 shares (at €21.14) and subscription to 31,020 shares by the exercise of as many stock options
12-03	€1,391,299,868	347,824,967	Subscription to 283,860 shares by the exercise of as many stock options
01-04	€1,364,100,540	341,025,135	Cancellation of 6,799,832 shares
06-04	€1,380,497,308	345,124,327	Group Savings Plan: issue of 4,099,192 shares (at €31.41)
11-04	€1,362,569,200	340,642,300	Cancellation of 4,482,027 shares
12-04	€1,363,952,000	340,988,000	Subscription to 345,700 shares by the exercise of as many stock options
06-05	€1,381,021,880	345,255,470	Group Savings Plan: issue of 4,267,470 shares (at €36.48)
12-05	€1,381,025,080	345,256,270	Subscription to 800 shares by the exercise of as many stock options
06-06	€1,402,622,244	350,655,561	Group Savings Plan: issue of 5,399,291 shares (at €40.84)
12-06	€1,403,992,444	350,998,111	Subscription to 342,550 shares by the exercise of as many stock options
12-06	€1,473,678,892	368,419,723	Issue of 17,421,612 new shares upon the conversion of 4,355,403 Océane bonds
01-07	€1,474,063,692	368,515,923	Issue of 96,200 new shares upon conversion of 21,100 Océane bonds and subscription to 11,800 shares by the exercise of as many stock options
05-07	€1,479,834,028	369,958,507	Group Savings Plan: issue of 1,442,584 shares (at €61.68)
06-07	€1,481,310,428	370,327,607	Subscription to 369,100 shares by the exercise of as many stock options
06-07	€1,495,466,528	373,866,632	Group Savings Plan: issue of 3,539,025 shares (at €58.05)
07-07	€1,495,596,528	373,899,132	Subscription to 32,500 shares by the exercise of as many stock options
08-07	€1,495,726,928	373,931,732	Subscription to 32,600 shares by the exercise of as many stock options
09-07	€1,495,773,328	373,943,332	Subscription to 11,600 shares by the exercise of as many stock options
10-07	€1,495,789,428	373,947,357	Subscription to 4,025 shares by the exercise of as many stock options
11-07	€1,495,959,828	373,989,957	Subscription to 42,600 shares by the exercise of as many stock options
12-07	€1,496,864,608	374,216,152	Subscription to 226,195 shares by the exercise of as many stock options

Financial authorizations

The Ordinary and Extraordinary General Meeting of June 7, 2007 granted the following financial authorizations to the Board of Directors:

- **An authorization until December 2008,** to buy back and resell a maximum of 10% of Saint-Gobain's capital stock at the date of the General Meeting, at a maximum purchase price of €90.
- **An authorization until December 2008** to issue equity warrants in the event of a public offer for the Company's shares, up to a maximum nominal amount of €368 million.
- **Until August 2009, authorization to:**
  - Cancel all or some of the Saint-Gobain shares bought back by the Company provided that the total number of shares cancelled within any 24 month period does not exceed 10% of the Company's capital, and to reduce the capital accordingly;
  - Increase the Company's capital stock, either through the issue – with pre-emptive subscription rights for existing shareholders – of shares or share equivalents, by a maximum of €590 million (shares) or €3 billion (debt securities);
  - Increase the Company's capital stock, through the issue – without pre-emptive subscription rights but with a priority subscription period for existing shareholders – of shares or share equivalents, including if applicable securities to be issued by subsidiaries, by a maximum of €295 million (shares) or €1.5 billion (debt securities);
  - Increase in the Company's capital by a maximum of 10% of its capital stock, in consideration for contributions in kind made up of shares or share equivalents granted to the Company;
  - Increase the Company's capital stock through the capitalization of additional paid-in capital, reserves, income or other capitalizable items, by a maximum nominal amount of €74 million;
  - The ceilings on the par values of shares mentioned in these four financial authorizations may not be aggregated;
  - Carry out employee share issues for members of the Group Savings Plan, representing a maximum aggregate par value of €74 million. The shares issued under this authorization may not be offered at a discount of over 20% of the average of the share prices quoted over the twenty trading days preceding the date of the decision made by the Board of Directors.
- **Until August 2010, authorization to:**
  - Grant stock purchase or subscription options to the employees or officers of Saint-Gobain. The purchase or subscription price of the shares must be at least equal to 100% of the average of the prices quoted for the Company's shares over the twenty trading days preceding the date of the Board's decision. The total number of stock options granted may not entitle beneficiaries to purchase or subscribe to a number of shares representing over 3% of Compagnie de Saint-Gobain's capital stock;
  - Allocate existing or new shares without consideration, representing a maximum of 1% of capital stock;
  - The 3% limit for the authorization to grant options constitutes an aggregate ceiling.

In 2007, transactions were carried out under the following three authorizations:

- Purchase and resale of Saint-Gobain shares: 2,460,265 shares sold in connection with the exercise of stock options granted in prior periods;
- Group Savings Plan: 4,981,609 shares issued;
- Stock option plans: 3,673,000 options granted.

Important information in the event of a public offer

In application of the European Directive on takeover bids, French law[1] requires companies to disclose in their annual report certain information that would be regarded as important in the event of a public offer. Pursuant to this provision, at December 31, 2007 information relating to the Company that could have a bearing on a public offer is as follows:

- As indicated above, the Board of Directors has been granted an authorization until December 2008 to issue equity warrants in the event of a public offer for the Company's shares, up to a maximum nominal amount of €368 million.
- In the event of a change in control of Compagnie de Saint-Gobain:
  - deferred compensation plans and defined-benefit pension plans existing within the Group's US subsidiaries would terminate immediately, and the rights of beneficiaries would become exercisable within a period of 12 months. This represents a total amount of USD 137 million at December 31, 2007;
  - holders of bonds issued by the Company in 2006 and 2007 would, under certain conditions, be entitled to request the early repayment of the principal and of the interest accrued on their securities. This affects bond issues for (I) €1.8 billion, issued in two tranches in May 2006; (II) £600 million, issued in two tranches in November 2006; (III) CZK 1 billion issued in November 2006; and (IV) two tranches of bond issues for €2.5 billion in April 2007. Further, a "change in control" clause is also included in the syndicated credit facility used to finance the acquisitions of Maxit (October 2007 for €2.125 billion) and BPB (August 2005 with a residual amount available of €500 million) and to provide support for the general financing of the Group (November 2004 for €2 billion), as well as in one bank loan and three bilateral credit lines.

Group savings plan

The Group Savings Plan (PEG) is a key feature of the social contract within the Group. It represents an excellent means of including employees in the Company's successes and resulting profits.

In 2007, the Group Savings Plan offered employees the standard options of five- and ten-year terms. The PEG subscribed to 3,539,025 shares, for a total of €205.4 million (2006: 5,399,291 shares for €220.5 million), as well as a leverage plan totaling €89 million that led to the creation of 1,442,584 new shares.

In France, 79% of employees have subscribed to the PEG through Company mutual funds. The PEG has been extended to employees in 19 other European countries and 11 countries on other continents. In all, more than 59,000 Group employees participated in the PEG during 2007.

At December 31, 2007, the Group Savings Plan held 6.3% of the Company's capital stock and 10.3% of its voting rights.

A new plan was launched in 2008 offering employees the standard options of five- and ten-year terms as well as a leverage plan, with a ceiling of nine million shares.

Saint-Gobain stock option plans – principles and rules decided by the board of directors

Stock option plans have been approved by the Board of Directors every year since 1987; the plans for the years from 1987 to 1998 inclusive are now terminated, as the maximum term to exercise these options had been set at five years up to 1991, eight years up to 1998 and then ten years subsequently.

Saint-Gobain stock option plans are decided by the Board of Directors following a review of proposals presented by the Appointments Committee. In 2007, this committee was composed of Gérard Mestrallet, then as from June 8, 2007, Jean-Martin Folz, as Chairman, Jean-Cyril Spinetta and Sylvia Jay.

In addition to Group Management (9 persons), the options granted in November 2007 concerned three categories of recipients:

- Category A includes the other members of the Group Coordination Committee (29 persons);
- Category B includes the main operational and functional managers of the Sectors and General Delegations (1,191 persons);
- Category C includes high-potential executives as well as managers or employees who have achieved superior performance (481 persons).

The total number of beneficiaries for the November 2007 plan is therefore 1,698 (2006: 1,689). In each of the above categories, the number of options granted is individually tailored according to responsibilities handled and performance achieved. The total number of options granted under this plan in 2007 was 3,673,000 (compared with 3,995,800 in 2006), which represented 1% of capital stock at December 31, 2007.

Since 2003, these plans have involved subscription options on new shares. Between 1997 and 2002, they involved purchase options on existing shares held in treasury stock for this purpose.

All discounts on the average share price for the period immediately preceding the date of grant of the options were discontinued in 1999: the exercise/subscription price was therefore set at 100% of this average price, i.e. €71.56 for the November 2007 plan.

The main general conditions set by the Board for the exercise of these options granted in 2007 are the following:

- options must be exercised within ten years of the date of grant;
- the minimum period before the options vest is four years;

all rights to options are forfeited if the employee terminates employment with the Group before they are exercised, unless expressly agreed otherwise by the Chief Executive Officer of the Group together with the Appointments Committee of the Board of Directors.

1 - Article L. 225-100-3 of the French Commercial Code.

Specific exercise conditions are attached to some categories of beneficiaries. For instance, as in previous years for the Coordination Committee, the Board of Directors has made the vesting of half of the options granted to the Group's 38 main corporate officers in November 2007 conditional upon reaching a return on capital employed (ROCE) of 13% in fiscal year 2010.

Further, in accordance with an internal rule instituted by the Board of Directors in 1997, Group Management and Category A persons who are members of the Group Coordination Committee and benefit from stock options were required at the end of 2007, if they have been in their current function from that date, to own at least 4,800 registered Saint-Gobain shares and to increase their holdings by at least 400 shares per annum; Category B beneficiaries are required to own at least 400 registered shares at all times.

Finally, in accordance with the French Act of December 30, 2006 (Article L. 225-185 of the French Commercial Code), the Board of Directors has decided, as proposed by the Appointments Committee, that for options granted in November 2007, the Chairman and the Chief Executive Officer will be required to keep, in the form of Saint-Gobain shares, until termination of their term of office, the equivalent of 50% of the net gain realized (minus taxes and other contributions for which they are liable) on the purchase of shares when these options are exercised.

The following three tables summarize key data on unexpired stock option plans at December 31, 2007, with the latter two dealing with the stock options of corporate officers and of the ten largest recipients.

Date of Shareholders' Meeting authorizing the plan	**6/24/1999**	**6/24/1999**	**6/28/2001**	**6/28/2001**	**6/5/2003**	**6/5/2003**	**6/9/2005**	**6/9/2005**	**6/7/2007**
Date of Board of Directors' meeting	**11/18/1999**	**11/16/2000[3]**	**11/22/2001**	**11/21/2002**	**11/20/2003**	**11/18/2004**	**11/17/2005**	**11/16/2006[4]**	**11/22/2007**
Type of options	Purchase	Purchase	Purchase	Purchase	Subscription	Subscription	Subscription	Subscription	Subscription
Number of beneficiaries	393	780	1,351	1,368	1,393	1,480	1,561	1,689	1,698
Total number of shares which may be obtained[1]	1,750,900	2,696,500	3,774,800	3,785,500	3,717,700	3,881,800	3,922,250	3,995,800	3,673,000
Of which : •Number of shares that Group Management may obtain	538,000	810,400	924,800	936,200	914,800	1,002,800	1,115,000	1,011,900	681,000
•Number of corporate officers concerned[2]	19	20	18	18	17	17	16	16	15
Start of exercise period	11/18/2002 or 11/18/2004	11/16/2003 or 11/16/2005	11/22/2004 or 11/22/2005	11/22/2005 or 11/22/2006	11/21/2006 or 11/21/2007	11/19/2007 or 11/19/2008	11/18/2008 or 11/18/2009	11/17/2009 or 11/17/2010	11/23/2011
Expiration date	11/17/2009	11/15/2010	11/21/2011	11/21/2012	11/20/2013	11/18/2014	11/17/2015	11/16/2016	11/22/2017
Exercise/Subscription price[1]	€40.63	€37.72	€40.22	€23.53	€35.67	€43.56	€45.71	€58.10	€71.56
Discount on average share price	0	0	0	0	0	0	0	0	0
Options outstanding at 12/31/2007[1]	329,924	885,560	1,726,804	1,255,715	2,725,980	3,662,450	3,758,050	3,974,600	3,673,000

(1) As the Company carried out a four-for-one stock split in June 2002, all numbers of shares relating to dates prior to June 2007 have been multiplied by four to facilitate comparisons. The same applies to the options outstanding at December 31, 2007, for which the exercise/subscription prices have been divided by four.
(2) The list of the members of Group Management is provided on page 33.
(3) In addition, a specific grant of 20,000 purchase options at an exercise price of €33.11 was carried out on March 30, 2000.
(4) In addition, a specific grant of 30,000 subscription options at a subscription price of €55.40 was carried out on February 27, 2006.

Stock options granted to each corporate officer and options exercised	Number of options granted	Exercise price	Start of exercise period
Stock options granted to each corporate officer and options exercised in 2007			
Jean-Louis Beffa	100,000 (*)	€71.56	November 2011
Pierre-André de Chalendar	200,000 (*)	€71.56	November 2011
Options exercised in 2007 by each corporate officer	Number of shares subscribed or purchased		Expiration date
Jean-Louis Beffa	240,000	€23.53	November 2012
Gianpaolo Caccini	23,000 51,000	€40.63 €37.72	November 2009 November 2010
Pierre-André de Chalendar	40,000 45,000	€40.22 €23.53	November 2011 November 2012

Options granted to the ten largest recipients of options among employees (excluding corporate officers) and options exercised by them	Number of options granted/Number of shares subscribed or purchased	Unit price
Options granted in 2007 by the issuer and any Group company granting options, to the ten largest recipients of options among employees of the issuer or any other Group company granting options (aggregate figure)	485,000(*)	€71.56
Exercise in 2007 of options granted by the issuer and any Group company granting options, to the ten largest recipients of options among employees of the issuer or any other Group company granting options (aggregate figure)	291,073	**Weighted average price** €32.00

(*) As mentioned above, half of these options granted can only be exercised after the vesting period ends if there is a return on capital employed (ROCE) of at least 13% in fiscal year 2010. In accordance with recommendations issued by AFEP/MEDEF in January 2007, the value of the options granted in 2007 to Jean-Louis Beffa and Pierre-André de Chalendar, calculated using the option pricing method applied in the consolidated financial statements, is €1,216,000 and €2,432,000 respectively.

There are no other outstanding stock option plans or any other options on shares in Group companies in France or abroad, whether publicly traded or not.

Transactions involving compagnie de Saint-Gobain shares reported to the AMF in 2007 by the corporate officers

Transactions involving Compagnie de Saint-Gobain shares reported to the *Autorité des Marchés Financiers* in 2007 by the corporate officers are summarized below:

Officer concerned	Nature of transaction	Date of transaction	Unit price (in €)	Total amount (in €)
Jean-Louis Beffa	Sale	May 2006	58.21	4,365,750.00
	Acquisition	May 2006	40.63	3,047,250.00
	Acquisition	January 2007	23.53	5,647,200.00
	Sale	January 2007	72.50	58,003.55
	Sale	January 2007	72.999	13,139,952.39
Pierre-André de Chalendar	Acquisition	May 2006	37.72	528,080.00
	Acquisition	May 2006	40.63	893,860.00
	Acquisition	January 2007	40.22	1,608,800.00
	Sale	January 2007	72.07	2,882,800.00
	Acquisition	February 2007	23.53	1,058,850.00
Gianpaolo Caccini	Subscription	February 2007	37.72	339,480.00
	Subscription	February 2007	40.63	284,410.00
	Subscription	February 2007	40.63	650,080.00
	Sale	February 2007	75.00	675,000.00
	Sale	February 2007	74.00	518,000.00
	Sale	February 2007	74.00	1,184,000.00
Robert Chevrier	Acquisition	September 2007	78.627	78,627.00
Bernard Cusenier	Subscription	April 2007	58.05	23,941.00
	Subscription	April 2007	61.68	10,000.00
Yuko Harayama	Acquisition	September 2007	79.70	64,939.58

Saint-Gobain share buybacks

In 2007, the Company did not buy back any of its own shares on the market. During the same period, 2,460,265 Saint-Gobain shares were sold to stock option holders in connection with the exercise of their options, for a total of €118.3 million. No shares were canceled during 2007.

In respect of the special report provided for by Article L. 225-209 of the French Commercial Code, at December 31, 2007 the Company held 4,279,403 of its own shares (representing 1.14% of its capital stock), allocated entirely to the following stock option plans:

Plans	Number of shares	Purchase price (€)	Plans	Number of shares	Purchase price (€)
1998	81,400	3,494,095	2001	1,726,804	77,069,468
1999	329,924	14,095,890	2002	1,255,715	66,878,779
2000	885,560	37,818,320			

The average cost basis of these shares held at December 31, 2007 was 946.59, while the average sale price for shares sold in 2007 (to the holders of stock options following the exercise of these options) was €48.09.

On November 16, 2007, Compagnie de Saint-Gobain entered into an agreement with Exane to provide liquidity for the Saint-Gobain share. This agreement complies with the Code of Ethics drawn up by the French Association of Investment Firms (AFEI) and approved by the *Autorité des Marchés Financiers (AMF)* on March 25, 2005. The purpose of the agreement is to authorize the service provider to intervene on behalf of Compagnie de Saint-Gobain in order to provide liquidity for transactions and ensure that Saint-Gobain shares are quoted properly, and to avoid any price discrepancies that cannot be justified by market trends. Compagnie de Saint-Gobain provided a total of e50 million to the liquidity account, which was implemented on December 3, 2007. At December 31, 2007, the liquidity account had 96,566 Saint-Gobain shares and a credit balance of €43,873,344.86.

INFORMATION POLICY

The Investor Relations Department is responsible for implementing the Group's information policy with the financial community, investors and shareholders. The Department – which is headed by Florence Triou-Teixeira (Tel. +33 (0)1 47 62 33 33 - Fax: +33 (0)1 47 62 50 62) – answers requests for information about the Group and regularly issues a Letter to Shareholders, as well as a Shareholder's Handbook:

Saint-Gobain
Investor Relations Department
Les Miroirs - F-92096 La Défense Cedex
Toll-free number (in France): 0800 32 33 33

In 2007, Compagnie de Saint-Gobain organized several meetings with its shareholders in France – Paris in March, Dijon in May, Grenoble in June, Nantes in October, Orléans in November and Clermont-Ferrand in December. A meeting was also held during the Salon Actionaria in Paris in November; it was Compagnie de Saint-Gobain's tenth year in a row to take part in this event. In addition to the two annual meetings with analysts and journalists held in January and July in Paris and London at the time of the respective publication of estimated annual and half-yearly results, several other information meetings took place during the year in the European cities where the Company's shares are listed, as well as in the United States and Japan.

Information on the Group can also be obtained from the Compagnie de Saint-Gobain website as can presentations to financial analysts:

www.saint-gobain.com

The following e-mail address has also been set up for shareholders:

actionnaires@saint-gobain.com

Through BNP Paribas, Compagnie de Saint-Gobain makes available to its shareholders a number of complementary services to improve the administration of their fully registered shares. For full details, please contact Compagnie de Saint-Gobain's Investor Relations Department, or:

BNP Paribas - Immeuble Tolbiac
GIS-ÉMETTEURS
F-75450 PARIS CEDEX 09
Toll-free number (in France): 0 800 03 33 33
Toll-free fax (in France): 0 800 77 25 85

2008 FINANCIAL CALENDAR

2007 estimated results:
January 24, 2008, after close of trading on the Paris Bourse

Final results for 2007:
March 20, 2008, after close of trading on the Paris Bourse

First-quarter 2008 sales:
April 22, 2008, after close of trading on the Paris Bourse

Annual General Meeting: 3:00 p.m. on June 5, 2008 at the Palais des Congrès (Porte Maillot), Paris

Dividend payment date:
June 19, 2008

First-half 2008 results:
July 24, 2008, after close of trading on the Paris Bourse

Sales for the first nine months of 2008:
October 22, 2008, after close of trading on the Paris Bourse

Corporate governance

Compagnie de Saint-Gobain upholds the principles of corporate governance defined by the AFEP-MEDEF reports and implements in full the recommendations which were brought together in their October 2003 publication, entitled "The Corporate Governance of Listed Corporations".

Board of directors

The membership of the Board of Directors of Compagnie de Saint-Gobain is as follows: *All of the following information was provided on March 1, 2008.*

Jean-Louis Beffa

Chairman of the Board of Directors of Compagnie de Saint-Gobain

Jean-Louis Beffa, 66, is also Vice-Chairman of the Board of Directors of BNP Paribas, a Director of Gaz de France and of the Bruxelles Lambert Group, a member of the Supervisory Board of Siemens, Le Monde SA and Société Editrice du Monde SA, President of Claude Bernard Participations SAS and a member of the Supervisory Board of Le Monde Partenaires SAS. Within the Saint-Gobain Group, he is a Director of Saint-Gobain Cristaleria and Saint-Gobain Corporation. He is also joint Chairman of the Cournot Center for Economic Research and Vice-Chairman of the Supervisory Board of the Pension Reserve Fund. He owns 250,153 Saint-Gobain shares.

Les Miroirs - 92096 La Défense Cedex (France)

Isabelle Bouillot

President of China Equity Links

Isabelle Bouillot, 58, is a Director of Accor and of Umicore, as well as the Managing Partner of IB Finance. She owns 1,200 Saint-Gobain shares.

42 rue Henri Barbusse – 75005 Paris (France)

Gianpaolo Caccini

Chairman of Assovetro, the Italian Association of Glass Manufacturers

Gianpaolo Caccini, 69, an Italian citizen, former Chief Operating Officer of Compagnie de Saint-Gobain, is also a Director of Nexans, JM Huber Corp. and Saint-Gobain Corporation. He owns 6,320 Saint-Gobain shares.

Assovetro - Via Bissolati 76, 1 Rome (Italy)

Pierre-André de Chalendar

Chief Executive Officer of Compagnie de Saint-Gobain

The Board of Directors appointed Pierre-André de Chalendar, 49, as Chief Operating Officer of Compagnie de Saint-Gobain on May 3, 2005. He was later made Director of Compagnie de Saint-Gobain at the Annual General Meeting of June 8, 2006 and subsequently Chief Executive Officer on June 7, 2007. Within the Saint-Gobain Group, he is Director of Saint-Gobain Corporation and SG Distribution Nordic AB. He owns 80,246 Saint-Gobain shares.

Les Miroirs - 92096 La Défense Cedex (France)

Robert Chevrier

President of Société de Gestion Roche Inc.

Robert Chevrier, 64, a Canadian citizen, is Chairman of the Board of Directors of Quincaillerie Richelieu Inc., member of the Audit Committee and Chairman of the Pension Fund Society of the Bank of Montreal, Lead Director of CGI Inc. and Cascades Inc. and Chairman of the Audit Committees of Cascades Inc. and Addenda Capital Inc. He owns 1,000 Saint-Gobain shares.

200 avenue des Sommets, Suite 2001, Ile des Sœurs – Verdun – Québec (Canada H3E 2B4)

Gerhard Cromme

Chairman of the Supervisory Board of ThyssenKrupp AG and Siemens AG

Gerhard Cromme, 65, a German citizen, is also a member of the Supervisory Board of Allianz SE and Axel-Springer. He owns 800 Saint-Gobain shares.

August Thyssen Strasse 1, D40211 Düsseldorf (Germany)

Bernard Cusenier

President of the Saint-Gobain Employees' and Former Employees' Shareholders' Association and Chairman of the Supervisory Board of FCPE Saint-Gobain Avenir

Bernard Cusenier, 61, is Chief Executive Officer of Saint-Gobain Ecophon SA and Chief Operating Officer of Saint-Gobain Eurocoustic. He owns 832 Saint-Gobain shares.

Saint-Gobain Eurocoustic, 7 Place de Saverne 92415 Courbevoie Cedex (France)

Jean-Martin Folz

Chairman of AFEP

Jean-Martin Folz, 61, former Chairman of the Management Board of Peugeot SA, is also a Director of Société Générale, Alstom and Solvay and a member of the Supervisory Board of AXA and Carrefour. He owns 1,200 Saint-Gobain shares.

11 avenue Delcassé - 75008 Paris (France)

Yuko Harayama

Professor at Tohoku University (Japan)

Yuko Harayama, 57, a Japanese citizen, holds no other directorships. She owns 800 Saint-Gobain shares.

Tohoku University, 6-6-11-805 Aoba, Aramaki, Aoba-ku, Sendai, 980-8579 (Japan)

Sylvia Jay

Vice-Chairman of L'Oréal UK

Lady Jay, 61, a British citizen, is also a Director of Alcatel Lucent and Lazard Limited, Chairman of the Pilgrim Trust and Food from Britain, Trustee of the Entente Cordiale Scholarship Scheme, the Prison Reform Trust and The Body Shop Foundation. She owns 800 Saint-Gobain shares.

255 Hammersmith Road, London W6 8 AZ (United Kingdom)

José Luis Leal Maldonado

Former Spanish Finance Minister

José Luis Leal Maldonado, 67, a Spanish citizen, is also a Director of Carrefour, CEPSA and Renault España, as well as Saint-Gobain Cristaleria. He owns 4,000 Saint-Gobain shares.

C/Velasquez, 64-6e E-28001 Madrid (Spain)

Gérard Mestrallet

Chairman and Chief Executive Officer of Suez

Gérard Mestrallet, 58, is also a member of the Supervisory Board of AXA and a Director of Pargesa Holding. Within the Suez Group, Gérard Mestallet is the Chairman of the Board of Directors of Suez-Tractebel, Suez Environnement, Electrabel, Suez Energie Services, Hisusa and Suez Environment Company, and Vice-Chairman of Sociedad General de Aguas de Barcelona. He owns 840 Saint-Gobain shares.
16 rue de la Ville-l'Evêque - 75008 Paris (France)

Michel Pébereau

Chairman of the Board of Directors of BNP Paribas

Michel Pébereau, 66, is also a Director of Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Switzerland, member of the Supervisory Board of AXA and *Banque Marocaine pour le Commerce et l'Industrie*, and non-voting Director of Galeries Lafayette. In addition, he is Chairman of the European Banking Federation, of the Investment Banking Committee of *Fédération Bancaire Française*, of *Institut de l'Entreprise*, of *Institut International d'Études Bancaires*, of the Management Board of the *Paris Institut d'Études Politiques* and of the Supervisory Board of *Institut Aspen France*, as well as a member of the *Haut Conseil de l'Éducation*, the Executive Council of MEDEF, the International Advisory Panel of the Monetary Authority of Singapore, the International Capital Markets Advisory Committee of the Federal Reserve Bank of New York and the International Business Leaders' Advisory Council for the Mayor of Shanghai. He owns 820 Saint-Gobain shares.
3 rue d'Antin – 75002 Paris (France)

Denis Ranque

Chairman and Chief Executive Officer of Thales

Denis Ranque, 56, is also Chairman of the Board of Directors of *École Nationale Supérieure des Mines de Paris* and of the *Cercle de l'Industrie*, First Vice-Chairman of GIFAS and a Director of the *Fondation de l'École Polytechnique*. He owns 800 Saint-Gobain shares.
45 rue de Villiers - 92526 Neuilly-sur-Seine Cedex (France)

Jean-Cyril Spinetta

Chairman and Chief Executive Officer of Air France-KLM

Jean-Cyril Spinetta, 64, is also Chairman and Chief Executive Officer of Air France Group, and a Director of Alcatel Lucent. He owns 800 Saint-Gobain shares.
45 rue de Paris - 95747 Roissy-Charles de Gaulle Cedex (France)

Secretary to the Board of Directors: **Bernard Field, Corporate Secretary of Compagnie de Saint-Gobain**

Membership of the Board of Directors

Acting upon a recommendation of the Appointments Committee, the Board of Directors once again reviewed the independence of each Director with respect to the criteria established in the AFEP-MEDEF reports and in the October 2003 publication entitled "The Corporate Governance of Listed Corporations". It was subsequently concluded that the following Directors meet all of the above criteria and are therefore considered as independent Directors: Isabelle Bouillot, Robert Chevrier, Jean-Martin Folz, Yuko Harayama, Sylvia Jay, Denis Ranque and Jean-Cyril Spinetta. This corresponds to seven Directors out of fifteen as of March 1, 2008.

The Board has a Director representing employee shareholders (Bernard Cusenier), but no Director(s) elected by the employees or non-voting Director(s).

In accordance with the Company bylaws, each Director must own at least 800 shares.

Renewal of the Board of Directors

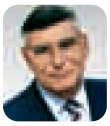
The dates on which Directors were first appointed and on which their current terms of office began are as follows:

- J.-L. Beffa: ....February 1987 ....June 2004
- M. Pébereau: ....June 1993 ....June 2005
- G. Mestrallet: ....November 1995 ....June 2007
- I. Bouillot and
  J.-L Leal Maldonado: ....June 1998 ....June 2004
- J.-M. Folz: ....March 2001 ....June 2005
- S. Jay: ....June 2001 ....June 2004
- D. Ranque: ....June 2003 ....June 2007
- G. Caccini: ....June 2004 ....June 2005
- G. Cromme
  and J.-C. Spinetta: ....June 2005 ....June 2005
- P.-A. de Chalendar: ....June 2006 ....June 2006
- B. Cusenier: ....September 2006 ....June 2007
- R. Chevrier and
  Y. Harayama: ....June 2007 ....June 2007

The Ordinary and Extraordinary General Meeting of June 5, 2003 reduced the duration of Directors' terms of office from six to four years. This reduction applies to the terms of office of Directors appointed or renewed on or after June 5, 2003 and not to those in force at that date. The dates on which Directors' terms of office expire are as follows:

- Jean-Louis Beffa, Isabelle Bouillot, Sylvia Jay and José Luis Leal Maldonado: 2008 Annual Meeting;
- Gianpaolo Caccini, Gerhard Cromme, Jean-Martin Folz, Michel Pébereau and Jean-Cyril Spinetta: 2009 Annual Meeting;
- Pierre-André de Chalendar: 2010 Annual Meeting.
- Robert Chevrier, Bernard Cusenier, Yuko Harayama, Gérard Mestrallet and Denis Ranque: 2011 Annual Meeting.

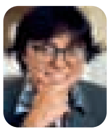
In view of the expiration of the terms of office of the four above-named Directors at the end of the General Meeting scheduled to take place on June 5, 2008, and acting upon a recommendation of the Appointments Committee, the Board of Directors will be submitting for approval, at said General Meeting, the renewal of the terms of office of the following Directors for a period of four years:



Jean-Louis Beffa

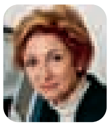
Jean-Louis Beffa, 66, is Chairman of the Board of Directors of Compagnie de Saint-Gobain. He is a graduate of the French *École Polytechnique* and a member of the distinguished French Corps des Mines. He also a graduate of the *École Nationale Supérieure du Pétrole* and the Paris *Institut d'Études Politiques*. After starting his career in the energy department of the French Ministry of Industry, Jean-Louis Beffa joined Saint-Gobain as Vice-President Corporate Planning in 1974. He subsequently became Chief Executive Officer of Pont-à-Mousson in 1978 and then Chairman of that company and head of the Saint-Gobain Group's Pipe and Mechanics Division in 1979. After joining the Group's senior management team in 1982, he went on to be appointed Chairman and Chief Executive Officer of Saint-Gobain – which was nationalized at the time – in January 1986. Following the privatization of Saint-Gobain at the end of 1986, he was appointed as a Director and as Chairman and Chief Executive Officer of Saint-Gobain in February 1987. His terms of office as Director and as Chairman and Chief Executive Officer were renewed for six years in June 1992 and June 1998, then for four years in June 2004. Jean-Louis Beffa stepped down as Chief Executive Officer at the Annual Meeting of June 7, 2007, having reached the age limit laid down in the Company bylaws for this function, but is still Chairman of the Board of Directors.

Jean-Louis Beffa is also Vice-Chairman of the Board of Directors of BNP Paribas, a Director of Gaz de France and of the Bruxelles Lambert Group, a member of the Supervisory Board of Siemens, Le Monde SA and Société Éditrice du Monde SA, President of Claude Bernard Participations SAS and a member of the Supervisory Board of Le Monde Partenaires SAS. Within the Saint-Gobain Group, he is a Director of Saint-Gobain Cristaleria and Saint-Gobain Corporation. He is also joint Chairman of the Cournot Center for Economic Research and Vice-Chairman of the Supervisory Board of the Pension Reserve Fund. He owns 250,153 Saint-Gobain shares.
Les Miroirs - 92096 La Défense Cedex (France)



Isabelle Bouillot

Isabelle Bouillot, 58, is a Director of Accor and of Umicore and Chairman of China Equity Links. She holds a degree in public law and is a graduate of the Paris *Institut d'Études Politiques* and the *École Nationale d'Administration*. She began her career working within the French government Budget Department before being appointed Cabinet Director for the Employment Minister in 1982 and going on to work as Deputy Cabinet Director for the Economy and Finance Minister between 1983 and 1984. She then held the post of Chairman of *Union des Banques à Paris* between 1985 and 1986 before becoming a Government Representative for the Department for the Control of Financial Operations between 1986 and 1989 (*Mission de contrôle des activités financiers*). She was an economic advisor to the French President between 1989 and 1991 and then Budget Director of the French Ministry of the Economy and Finance from 1991 to 1995. In June 1995 she joined Caisse des Dépots et Consignations as Chief Operating Officer where she was responsible for managing banking and finance activities. She went on to become Chairman of the Management Board of CDC Finance-CDC IXIS, before standing down from the position in the second half of 2003. Isabelle Bouillot was a member of the Financial Markets Council from 1997 until October 2003.
She was elected as a Director of Compagnie de Saint-Gobain in June 1998 for six years. Her term of office was renewed for four years in June 2004. She owns 1,200 Saint-Gobain shares.
Address: 42, rue Henri Barbusse – 75005 Paris (France)

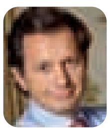


Sylvia Jay

Sylvia Jay, 61, is Vice-Chairman of L'Oréal UK and a British citizen.
She has previously held several positions as a senior British civil servant, in the Overseas Development Administration (ODA) and in secondment to the French Ministry of International Cooperation, the French Treasury and the European Bank for Reconstruction and Development (EBRD). Sylvia Jay is also a Director of Alcatel Lucent and Lazard Limited, Chairman of the Pilgrim Trust and Food from Britain, Trustee of the Entente Cordiale Scholarship Scheme, the Prison Reform Trust and The Body Shop Foundation.
She was elected as a Director of Compagnie de Saint-Gobain in June 2001 for three years. Her term of office was renewed for four years in June 2004. She owns 800 Saint-Gobain shares.
Address: 255 Hammersmith Road, London W6 8 AZ (United Kingdom)

Further to the conclusion of the agreement regarding the representation of Wendel on the Board of Directors, and acting upon the recommendations of the Appointments Committee, the Board has decided to submit the following proposals to the Annual General Meeting:

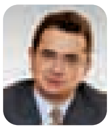
- the appointment of Jean-Bernard Lafonta as Director, for a period four years, to replace José Luis Leal Maldonado who has not sought to renew his term of office;
- that the maximum number of Directors on the Board of Directors be increased from 15 to 16, and to appoint Bernard Gautier to the new post of Director for a period of four years.



Jean-Bernard Lafonta

Jean-Bernard Lafonta, 46, is a member of the *Corps des Mines de Paris*, and a graduate of *École Polytechnique*. He began his career as a production engineer and held various positions in the French Administration between 1986 and 1992, including in ministerial cabinets. In 1993, he joined Banque Lazard's Mergers and Acquisitions teams as a Deputy Director. In 1996, he became Director of strategy at BNP, before being named Director of capital markets, then President of Banque Directe

and a member of the Executive Committee of BNP Paribas.
He joined Wendel at the end of 2001 as Chief Executive Officer, where he redefined the strategy and, between 2002 and 2005, renewed more than 80% of the portfolio. Wendel is now one of Europe's leading investment firms.
In 2005 Jean-Bernard Lafonta was appointed Chairman of the Executive Board.
He is also Chairman of the Supervisory Board of Bureau Véritas and Editis Holding, Director of Legrand, member of the Supervisory Board of Oranje-Nassau Groep B.V., Chairman of the Board of Directors of Winvest International SA SICAR, member of the Management Board of Materis Parent SARL, member of the Supervisory Board of Altineis 2, Chairman of Compagnie de l'Audon and Manager of Winvest Conseil, Granit, JB Mac Nortance, Société Civile Hautmer and Société Civile Ilbano.
Address: 89 rue Taibout - 75009 Paris (France)



Bernard Gautier

Bernard Gautier, 48, trained as an engineer (SUPELEC). He began his career by creating a company in the media sector, AG Euromedia.
He was a consultant at Arthur Andersen, now Accenture, in the media-press and services sectors from 1983 to 1989. After working for 12 years at Bain & Compagnie where he became a Senior Partner and a member of the International Board of Directors in 1999, he joined Atlas Venture as a General Partner and was director of the Paris office from 2000 to 2003.
He has operating experience in the investment field and extensive knowledge of information technologies, telecommunications and associated services as well as of LBO and Private Equity funds.
He has been a member of the Executive Board of Wendel since May 2005.
Bernard Gautier is also Vice-Chairman of the Supervisory Board of Editis Holding, member of the Supervisory Board of Altineis, Altineis 2, Altineis 3, Legron BV, Director of Communication Media Partner, Stahl Holdings BV, Stahl Group BV, Winvest International SA SICAR and Manager of Winvest Conseil, BG Invest, BJPG Conseil, SCI La République, La Cabane Saint-Gautier.
Address: 89 rue Taibout - 75009 Paris (France)

Corporate officer or management functions carried out "at any time in the last five years"

(other than that of a Director of Compagnie de Saint-Gobain)

Jean-Louis Beffa

Chairman of the Board of Directors of Compagnie de Saint-Gobain.
2007 • Chairman of the Board of Directors of Compagnie de Saint-Gobain • Vice-Chairman of the Board of Directors of BNP Paribas • Director of Gaz de France and Bruxelles Lambert Group • Member of the Supervisory Board of Le Monde SA, and Société Editrice du Monde SA, President of Claude Bernard Participations SAS, Member of the Supervisory Board of Le Monde Partenaires SAS • Within Saint-Gobain Group, permanent representative of Compagnie de Saint-Gobain on the Board of Directors of Saint-Gobain PAM • Director of Saint-Gobain Cristaleria and Saint-Gobain Corporation • Joint Chairman of the Cournot Center for Economic Research and Vice-Chairman of the Supervisory Board of the Pension Reserve Fund
2006 • Chairman and Chief Executive Officer of Compagnie de Saint-Gobain • Vice-Chairman of the Board of Directors of BNP Paribas • Director of Gaz de France and Bruxelles Lambert Group • Member of the Supervisory Board of Le Monde SA, and Société Éditrice du Monde SA, President of Claude Bernard Participations SAS, Member of the Supervisory Board of Le Monde Partenaires SAS • Permanent representative of Compagnie de Saint-Gobain on the Board of Directors of Saint-Gobain PAM • Director of Saint-Gobain Cristaleria and Saint-Gobain Corporation • Chairman of the Supervisory Board of the Industrial Innovation Agency, joint Chairman of the Cournot Center for Economic Research and Vice-Chairman of the Supervisory Board of the Pension Reserve Fund
2005 • Chairman and Chief Executive Officer of Compagnie de Saint-Gobain • Vice-Chairman of the Board of Directors of BNP Paribas • Director of Gaz de France and Bruxelles Lambert Group • Member of the Supervisory Board of Le Monde SA, and Société Éditrice du Monde SA, President of Claude Bernard Participations SAS, Member of the Supervisory Board of Le Monde Partenaires SAS • Permanent representative of Compagnie de Saint-Gobain on the Board of Directors of Saint-Gobain PAM • Director of Saint-Gobain Cristaleria and Saint-Gobain Corporation • Chairman of the Supervisory Board of the Industrial Innovation Agency, joint Chairman of the Cournot Center for Economic Research and Vice-Chairman of the Supervisory Board of the Pension Reserve Fund
2004 • Chairman and Chief Executive Officer of Compagnie de Saint-Gobain • Vice-Chairman of the Board of Directors of BNP Paribas • Director of Gaz de France and Bruxelles Lambert Group • Member of the Supervisory Board of Le Monde SA, and Société Éditrice du Monde SA, President of Claude Bernard Participations SAS, Member of the Supervisory Board of Le Monde Partenaires SAS • Permanent representative of Compagnie de Saint-Gobain on the Board of Directors of Saint-Gobain PAM • Director of Saint-Gobain Cristaleria and Saint-Gobain Corporation • Joint Chairman of the Cournot Center for Economic Research • Vice-Chairman of the Supervisory Board of the Pension Reserve Fund
2003 • Chairman and Chief Executive Officer of Compagnie de Saint-Gobain • Vice-Chairman of the Board of Directors of BNP Paribas • Director of Bruxelles Lambert Group • Member of the Supervisory Board of Le Monde SA, and Société Éditrice du Monde SA, President of Claude Bernard Participations SAS, permanent representative of Compagnie de Saint-Gobain on the Board of Directors of Saint-Gobain PAM • Director of Saint-Gobain Cristaleria and Saint-Gobain Corporation, Joint Chairman of the corporate foundation of Saint-Gobain Center for Economic Research • Vice-Chairman of the Supervisory Board of the Pension Reserve Fund

Isabelle Bouillot

President of China Equity Links
2007 • President of China Equity Links • Director of Accor and Umicore, managing partner of IB Finance
2006 • President of China Equity Links • Managing partner of IB Finance, Director of Accor and Umicore
2005 • Managing partner of IB Finance • Director of Accor and Umicore
2004 • Managing partner of IB Finance • Member of the Supervisory Board of Accor • Director of La Poste and Umicore
2003 • Chair of the Management Board of CDC Finance - CDC Ixis • Director of San Paolo IMI, La Poste and C3D • Member of the Supervisory Board of Accor, CNE and CNP Assurances • Within the Caisse des Dépôts Group, positions of Chair, member of the Supervisory Board or permanent representative on the Board of Directors or the Supervisory Board of various subsidiaries and affiliates of CDC Finance- CDC Ixis

Gianpaolo Caccini

Chairman of Assovetro, the Italian Association of Glass Manufacturers
2007 • Chairman of Assovetro, the Italian Association of Glass Manufacturers • Director of Nexans, JM Huber Corp., Nybron and Saint-Gobain Corporation
2006 • Chairman of Assovetro, the Italian Association of Glass Manufacturers • Former Chief Operating Officer of Compagnie de Saint-Gobain • Director of Nexans, JM Huber Corp., Nybron and Saint-Gobain Corporation
2005 • Director of Nexans, JM Huber Corp., Saint-Gobain Corporation • Chairman of Assovetro, the Italian Association of Glass Manufacturers
2004 • Director of Nexans, JM Huber Corp., Saint-Gobain Corporation • Chairman of Assovetro, the Italian Association of Glass Manufacturers
2003 • Chief Operating Officer of Compagnie de Saint-Gobain

Pierre-André de Chalendar

Chief Executive Officer of Compagnie de Saint-Gobain

2007 • Chief Operating Officer, then Chief Executive Officer of Compagnie de Saint-Gobain • Director of Saint-Gobain Corporation and SG Distribution Nordic AB

2006 • Chief Operating Officer of Compagnie de Saint-Gobain • Director of Saint-Gobain Corporation, SG Aldwych, BPB and SG Distribution Nordic AB

Robert Chevrier

President of Société de Gestion Roche Inc

2007 • Chairman of the Board of Directors of Quincaillerie Richelieu Inc. • Member of the Audit Committee and Chairman of the Pension Fund Society of the Bank of Montreal, Lead Director of CGI Inc. and Cascades Inc., Chairman of the Audit Committee of Cascades Inc. and Addenda Capital Inc. • Chairman of the Audit Committee of Transcontinental Inc. • Member of the Audit Committee and the Human Resources Committee of CGI Inc.

Gerhard Cromme

Chairman of the Supervisory Board of ThyssenKrupp AG and Siemens AG

2007 • Chairman of the Supervisory Board of ThyssenKrupp AG and Siemens AG • Member of the Supervisory Board of Allianz SE, Axel Springer, Deutsche Lufthansa AG and E.ON AG. Director of BNP Paribas SA and Suez SA

2006 • Chairman of the Supervisory Board of ThyssenKrupp AG • Member of the Supervisory Board of Allianz AG, Axel Springer AG, Deutsche Lufthansa AG, E.ON AG, Hochtief AG, Siemens AG and Volkswagen AG • Director of BNP Paribas SA and Suez SA

2005 • Chairman of the Supervisory Board of ThyssenKrupp AG • Member of the Supervisory Board of Allianz AG, Axel Springer AG, Deutsche Lufthansa AG, E.ON AG, Hochtief AG, Siemens AG and Volkswagen AG • Director of BNP Paribas SA and Suez SA

Bernard Cusenier

Chief Executive Officer of SG Ecophon SA and Chief Operating Officer of SG Eurocoustic

2007 • Chief Executive Officer of SG Ecophon SA and Chief Operating Officer of SG Eurocoustic • President of the Saint-Gobain Employees' and Former Employees' Shareholders' Association and Chairman of the Supervisory Board of FCPE SG Avenir

2006 • President of the Saint-Gobain Employees' and Former Employees' Shareholders' Association and Chairman of the Supervisory Board of FCPE SG Avenir

Jean-Martin Folz

Chairman of AFEP

2007 • Chairman of the Management Board of Peugeot SA • Chairman of the Board of Directors of Automobiles Peugeot and Automobiles Citroën • Director of Société Générale, Alstom and Solvay • Member of the Supervisory Board of AXA and Carrefour

2006 • Chairman of the Management Board of Peugeot SA • Chairman of the Board of Directors of Automobiles Peugeot and Automobiles Citroën • Director of Solvay, Banque PSA Finance, Peugeot Citroën Automobiles and Faurecia

2005 • Chairman of the Management Board of Peugeot SA • Chairman of the Board of Directors of Automobiles Peugeot and Automobiles Citroën • Director of Solvay, Banque PSA Finance, Peugeot Citroën Automobiles and Faurecia

2004 • Chairman of the Management Board of Peugeot SA • Chairman of the Board of Directors of Automobiles Peugeot and Automobiles Citroën • Director of Solvay, Banque PSA Finance, Peugeot Citroën Automobiles and Faurecia

2003 • Chairman of the Management Board of Peugeot SA • Chairman of the Board of Directors of Automobiles Peugeot and Automobiles Citroën • Director of Solvay, Banque PSA Finance, Peugeot Citroën Automobiles and Faurecia

Yuko Harayama

Professor at Tohoku University (Japan)

2007 • None

Sylvia Jay

Vice-Chairman of L'Oréal UK

2007 • Director of Alcatel Lucent and Lazard Limited • Chairman of the Pilgrim Trust and Food from Britain, Trustee of the Entente Cordiale Scholarship Scheme, the Prison Reform Trust and the Body Shop Foundation

2006 • Vice-Chairman of L'Oréal UK Ltd • Director of Alcatel Lucent and Lazard Limited • Chairman of the Pilgrim Trust and Food from Britain, Trustee of the Entente Cordiale Scholarship Scheme and the Prison Reform Trust

2005 • Vice-Chairman of L'Oréal UK Ltd • Director General of the British Food and Drink Federation (until August 2005) • Lay member of the Procedures and Disciplinary Committee of the General Council to the Bar, Industrial Governor of the British Nutrition Foundation, Chairman of the Pilgrim Trust, member of the Franco-British Council and Trustee of the Entente Cordiale Scholarship Scheme

2004 • Director General of the British Food and Drink Federation • Director of Carrefour • Lay member of the Procedures and Disciplinary Committee of the General Council to the Bar, Industrial Governor of the British Nutrition Foundation, Chairman of the Pilgrim Trust and Trustee of the Entente Cordiale Scholarship Scheme. Member of the Council of Food from Britain and the Franco-British Council

2003 • Director General of the British Food and Drink Federation • Director of Carrefour • Lay member of the Procedures and Disciplinary Committee of the General Council to the Bar, Industrial Governor of the British Nutrition Foundation, Trustee of the Pilgrim Trust and of the Entente Cordiale Scholarship Scheme. Member of the Council of Food from Britain and the Franco-British Council

José Luis Leal Maldonado

Former Spanish Finance Minister

2007 • Director of Carrefour, CEPSA, Renault España and Saint-Gobain Cristaleria

2006 • Director of Carrefour, CEPSA, Renault España and Saint-Gobain Cristaleria

2005 • Chairman of the Spanish Banking Association • Director of Carrefour, CEPSA, Renault España and Saint-Gobain Cristaleria

2004 • Chairman of the Spanish Banking Association • Director of Carrefour, CEPSA, Renault España and Saint-Gobain Cristaleria

2003 • Chairman of the Spanish Banking Association • Director of CEPSA, Alcatel España, Renault España and Saint-Gobain Cristaleria

Gérard Mestrallet

Chairman and Chief Executive Officer of Suez

2007 • Chairman and Chief Executive Officer of Suez • Member of the Supervisory Board of AXA and Director of Pargesa Holding • Chairman of the Board of Directors of Suez-Tractebel, Suez Environnement, Electrabel, Suez Energie Services, Hisusa and Houlival • Vice-Chairman of Sociedad General de Aguas de Barcelona

2006 • Chairman and Chief Executive Officer of Suez • Member of the Supervisory Board of AXA and Director of Pargesa Holding • Chairman of the Board of Directors of Suez-Tractebel, Suez Environnement, Electrabel and Suez Energie Services • Vice-Chairman of Hisusa and Sociedad General de Aguas de Barcelona

2005 • Chairman and Chief Executive Officer of Suez • Member of the Supervisory Board of AXA and Director of Pargesa Holding • Chairman of the Board of Directors of Suez-Tractebel, Suez Environnement, Electrabel, Hisusa and Elyo • Vice-Chairman of Sociedad General de Aguas de Barcelona • Director of Crédit Agricole (until May 2005) • Member of the Supervisory Board of Taittinger (until September 2005)

2004 • Chairman and Chief Executive Officer of Suez • Member of the Supervisory Board of AXA and Taittinger • Director of Crédit Agricole and Pargesa Holding • Chairman of the Board of Directors of Suez-Tractebel, Electrabel, Suez Environnement • Vice-Chairman of Hisusa and Sociedad General de Aguas de Barcelona

2003 • Chairman and Chief Executive Officer of Suez • Member of the Supervisory Board of AXA and Taittinger • Director of Crédit Agricole, Pargesa Holding and Electrabel • Chairman of Suez-Tractebel and Hisusa • Vice-Chairman of Sociedad General de Aguas de Barcelona • Chairman of Société Générale de Belgique (until October 2003) and Tractebel (until October 2003) • Non-voting Director of Casino (until September 2003)

Michel Pébereau

Chairman of the Board of Directors of BNP Paribas

2007 • Chairman of the Board of Directors of BNP Paribas • Director of Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Switzerland •

Member of the Supervisory Board of AXA and Banque Marocaine pour le Commerce et l'Industrie • Non-voting Director of Galeries Lafayette • Chairman of the European Banking Federation, the Investment Banking Committee of the *Fédération Bancaire Française*, the Institut de l'Entreprise, the *Institut International d'Études Bancaires*, Chairman of the Board of Directors of the Paris *Institut d'Études Politiques* and of the Supervisory Board of *Institut Aspen France* • Member of the Haut Conseil de l'Éducation, the Executive Council of MEDEF, the International Advisory Panel of the Monetary Authority of Singapore, the International Capital Markets Advisory Committee of the Federal Reserve Bank of New York and the International Business Leaders' Advisory Council for the Mayor of Shanghai
2006 • Chairman of the Board of Directors of BNP Paribas • Director of Lafarge, Total and Pargesa Holding • Member of the Supervisory Board of AXA and Banque Marocaine pour le Commerce et l'Industrie • Non-voting Director of Galeries Lafayette • Chairman of the European Banking Federation, the Institut de l'Entreprise, the *Institut International d'Études Bancaires*, the Board of Directors of the Paris *Institut d'Études Politiques* and the Supervisory Board of *Institut Aspen France* • Member of the *Haut Conseil de l'Éducation*, the Executive Council of MEDEF, the International Advisory Panel of the Monetary Authority of Singapore, the International Capital Markets Advisory Committee of the Federal Reserve Bank of New York and the International Business Leaders' Advisory Council for the Mayor of Shanghai
2005 • Chairman of the Board of Directors of BNP Paribas • Director of Lafarge and Total • Member of the Supervisory Board of AXA • Non-voting Director of Galeries Lafayette • Chairman of the European Banking Federation, *the Institut de l'Entreprise*, the Board of Directors of the Paris *Institut d'Études Politiques* and the Advisory Board of *Institut Aspen* • Member of the *Haut Conseil de l'Éducation*, the Executive Council of MEDEF, the International Monetary Conference, the International Advisory Panel of the Monetary Authority of Singapore, the International Capital Markets Advisory Committee of the Federal Reserve Bank of New York and the International Business Leaders' Advisory Council for the Mayor of Shanghai
2004 • Chairman of the Board of Directors of BNP Paribas • Director of Lafarge, Total, BNP Paribas UK, *Banque Marocaine pour le Commerce et l'Industrie* • Member of the Supervisory Board of AXA • Non-voting Director of Galeries Lafayette • Chairman of the European Banking Federation, the *Institut de l'Entreprise* and the Advisory Board of *Institut Aspen* • Member of the International Monetary Conference, the Monetary Authority of Singapore, the International Capital Markets Advisory Committee, the Federal Reserve Bank of New York and the International Business Leaders' Advisory Council for the Mayor of Shanghai
2003 • Chairman of the Board of Directors of BNP Paribas • Director of Lafarge, Total and BNP Paribas UK • Member of the Supervisory Board of AXA and Dresdner Bank • Non-voting Director of Galeries Lafayette • Vice-Chairman of the International Monetary Conference • Member of the International Advisory Panel of the Monetary Authority of Singapore, the International Capital Markets Advisory Committee and the Federal Reserve Bank of New York

Denis Ranque

Chairman and Chief Executive Officer of Thales
2007 • Chairman and Chief Executive Officer of Thales • Chairman of the Board of Directors of the *École Nationale Supérieure des Mines de Paris* and the *Cercle de l'Industrie* • First Vice-Chairman of GIFAS • Director of the *Fondation de l'École Polytechnique*
2006 • Chairman and Chief Executive Officer of Thales • Chairman of the Board of Directors of the *École Nationale Supérieure des Mines de Paris* and the *Cercle de l'Industrie* • First Vice-Chairman of GIFAS • Director of the *Fondation de l'École Polytechnique*
2005 • Chairman and Chief Executive Officer of Thales • Chairman of the Board of Directors of the *École Nationale Supérieure des Mines de Paris* and the Cercle de l'Industrie • First Vice-Chairman of GIFAS • Director of the *Fondation de l'École Polytechnique*
2004 • Chairman and Chief Executive Officer of Thales • Chairman of the Board of Directors of the *École Nationale Supérieure des Mines de Paris* and the Cercle de l'Industrie • Director of the *Fondation de l'École Polytechnique*
2003 • Chairman and Chief Executive Officer of Thales • Chairman of the Board of Directors of the *École Nationale Supérieure des Mines de Paris* and the Cercle de l'Industrie • Director of the *Fondation de l'École Polytechnique* • Member of the Advisory Committee of Banque de France.

Jean-Cyril Spinetta

Chairman and Chief Executive Officer of Air France-KLM
2007 • Chairman and Chief Executive Officer of Air France-KLM • Chairman and Chief Executive Officer of the Air France group • Director of Unilever and Alcatel Lucent
2006 • Chairman and Chief Executive Officer of Air France-KLM • Chairman and Chief Executive Officer of the Air France group • Director of Alitalia, Unilever and Alcatel Lucent • Permanent representative of Air France on the Board of Directors of Le Monde Entreprises
2005 • Chairman and Chief Executive Officer of Air France-KLM • Director of Alitalia • Permanent representative of Air France on the Board of Directors of Le Monde Entreprises

To the best of the Company's knowledge and as of the date of this registration document, there are no family links between the Company's Directors and, over the last five years, no Director has been found guilty of fraud, been associated with a bankruptcy, sequestration or liquidation, been incriminated or subject to an official public sanction issued by a statutory or regulatory authority; over the last five years, no Director has been prevented by a court from acting as a member of an administrative, management or supervisory body of an issuer of securities or from taking part in managing or conducting an issuer's business.

Operational structure of the board of directors

Pursuant to the NRE Act *(Loi sur les nouvelles régulations économiques)*, the Board of Directors decided in July 2002 and confirmed on June 10, 2004, that Jean-Louis Beffa, Chairman of the Board of Directors, would continue to be responsible for the general management of Compagnie de Saint-Gobain, with the title of Chairman and Chief Executive Officer.

Due to the termination of Jean-Louis Beffa's term of office as Chief Executive Officer at the General Meeting of June 7, 2007 when he reached the age limit provided for in the bylaws for the performance of that function, the Board of Directors decided, at its meeting of June 7, 2007, to appoint Pierre-André de Chalendar as Chief Executive Officer with effect from June 7, 2007. Jean-Louis Beffa continues to act as Chairman of the Board of Directors.

In accordance with the recommendations of the AFEP-MEDEF report on corporate governance dated September 2002, brought together in the October 2003 publication entitled "The Corporate Governance of Listed Corporations", the Board of Directors adopted internal rules of operation in 2003.

The Internal Rules of the Board of Directors in effect at the end of 2007 establish an organizational and operational framework for the Board, as summarized below:

- **Board meetings.** At least seven ordinary meetings should be held annually, including one at a different Group site each year. The Directors may attend meetings by means of video-conferencing technology or other means of telecommunications to the extent allowed by law.

- **Provision of information to Directors prior to meetings and on a continuing basis.** The notice of each meeting should be accompanied by a selection of financial analyses and press articles concerning the Group. In addition, the texts of statements and presentations featured on the agenda, the draft annual report, and draft consolidated and Company financial statements should be sent to the Directors prior to the meetings at which they are to be discussed. The information pack provided at each meeting should include an analysis of Group operating income and net indebtedness, as determined at the month-end preceding the meeting. Between meetings, the Directors should systematically receive all press releases issued by the Group and, where appropriate, all useful information concerning significant events or operations for the Group. In general, the Directors are entitled to request any additional information deemed necessary for the conduct of Board Meetings, and to ask to meet key members of Group management without the corporate officers being present, after consulting with the Chairman of the Board.

- **Deliberations of the Board.** In addition to the deliberations related to its duties under the applicable laws and regulations and the Company's bylaws, the Board reviews and finalizes the Saint-Gobain Group's corporate strategy at least once annually. The prior approval of the Board is required for investments, restructuring programs, acquisitions, and the purchase and divestment of equity stakes with a unit value in excess of €150 million, as well as for any significant transaction outside the Group's stated strategy. The operation of the Board should be discussed at least once each year, and a formal evaluation of its organization and operation should be performed on a regular basis under the supervision of the Appointments Committee. Based on the report submitted by the Appointments Committee, the Board reviews the independence of each Director with regard to the criteria established in the AFEP-MEDEF report of September 2002. The Directors may meet without the presence of the corporate officers to evaluate said officers' performance and to consider the General Management of the Group going forward.

- **Board Committees.** The work and deliberations of the Board of Directors are prepared by the Financial Statements Committee and the Appointments Committee, whose members are appointed by the Board. These Committees may commission technical appraisals by outside experts at the expense of Compagnie de Saint-Gobain and confer with members of Group Management, after consulting with the Chairman of the Board. The Internal Rules governing the Board of Directors establish the terms of reference of the Financial Statements Committee and the Appointments Committee, in particular concerning their respective duties. Said duties are presented below in the sections concerning the individual committees.

- **Dealing in Compagnie de Saint-Gobain shares by Directors.** Pursuant to the legal and regulatory provisions regarding financial markets, the Directors are deemed to be "permanent insiders", and must comply with the provisions relating to the prevention of insider trading. Furthermore, periods are defined annually during which the Directors are required to abstain from carrying out any direct, indirect or derivative transactions relating to Saint-Gobain shares. These periods cover the 45 days preceding the Board meetings at which the estimated annual consolidated financial statements and the interim consolidated financial statements are discussed, the 15 days preceding the meeting dealing with the final version of the annual consolidated financial statements and the day following each of said meetings[3].
  In accordance with legislation in force, Directors must report transactions involving Saint-Gobain shares to the AMF.

- **Attendance fees.** The Internal Rules specify the allocation of attendance fees among the Directors. The rules governing said allocation are presented below in the corresponding section (p. 49).

Various provisions of the Internal Rules provide for the possibility of further training for Directors with regard to business lines and sectors, and the accounting, financial and operational aspects of the Group. They also deal with the attendance of Directors at shareholders' meetings, and establish the duty of confidentiality binding upon Directors in respect of documents, information and the deliberations of the Board until they have been made public.

To the best of the Company's knowledge, there are no conflicts of interest between Compagnie de Saint-Gobain and the personal and professional activities of the members of its Board of Directors.

Evaluation of the operation of the Board of Directors
Every year, the Board performs an evaluation of its operation. In 2000, 2003 and 2006, this evaluation was performed with the assistance of a specialized consulting firm[2]. In the intermediate years, the evaluation was performed by the Appointments Committee based on a questionnaire sent to each Director by the Chairman of the Committee.

Another formal evaluation was performed in 2006 by the firm Egon Zehnder. It consisted in individual meetings between the consultant and each Director. The consulting firm summarized the results of these meetings in a report which it presented to the Appointments Committee. The Board of Directors approved the recommendations made by the Committee, which included in-depth discussions with the Board on the strategic options available, the initiation of a reflection on the changes in the Company's corporate governance structure and the composition of the Board of Directors in view of the expiration of the Directors' terms of office in 2007 and 2008, the presentation to the Board of an annual overview of the Group's human resources and social responsibility policies and the expansion of the executive circle, excluding General Management.

Another internal evaluation by the Appointments Committee has been scheduled for the first half of 2008.

The Board of Directors held seven meetings during fiscal year 2007. The attendance rate at these meetings was 83%.

1 - Group management as well as employees having access to confidential information have to abstain from carrying out transactions during these periods.
2 - Report for fiscal year 2000 on page 55, for fiscal years 2003 and 2006 on page 26.

Board of Directors' committees

Financial Statements Committee

- Michel Pébereau, Chairman
- Isabelle Bouillot
- Denis Ranque, replacing Jean-Martin Folz since June 8, 2007

Two-thirds of the Committee is composed of independent directors (see page 23).

The Internal Rules of the Board of Directors define the duties of the Financial Statements Committee as follows:

The main responsibility of the Financial Statements Committee is to ensure the relevance and consistency of the accounting methods used to prepare the financial statements and to verify that the internal procedures used to gather and control the related data provide a guarantee of such relevance and consistency. To this end the Committee:

- examines the annual and interim consolidated financial statements and the annual accounts of the Company submitted to it by General Management, prior to their examination by the Board of Directors;
- considers the scope of consolidation and, where appropriate, the reasons for the exclusion of any companies from the consolidation process;
- examines significant risks and off-balance sheet commitments, and receives a related explanatory report from the Finance Director;
- gives its opinion on the organization of the internal audit function, is informed of the internal audit work schedule and receives a summary internal audit report on a regular basis;
- reviews the audit plan of the Company's Statutory Auditors and the findings of their audits, and receives a report from the Statutory Auditors on key audit findings and the accounting methods selected;
- conducts the process for the selection of the Company's Statutory Auditors, forms an opinion on the amount of fees charged for the performance of statutory audits and submits the results of the selection process to the Board of Directors;
- examines, in compliance with applicable standards, the advisory and other services directly related to their engagement that the Statutory Auditors and their network are authorized to provide to the Company and to other companies in the Saint-Gobain Group;
- is informed annually by the Statutory Auditors of the amount and allocation of fees for audit, advisory and other services paid by the Saint-Gobain Group to the Statutory Auditors and the members of their network during the past fiscal year, and submits its findings to the Board of Directors, together with its opinion on the independence of the Statutory Auditors.

The Committee met four times in 2007. The attendance rate at these meetings was 83%. Its work was particularly concerned with the following points:

At three of these meetings, the Committee reviewed issues with Group Management, the Finance Department and the Statutory Auditors, and performed a prior, in-depth examination of the estimated annual consolidated financial statements (January), the annual Company and consolidated financial statements (March), as well as the interim consolidated financial statements (July).

On each of these occasions, a summary of the main points raised by the Statutory Auditors with the Finance Department during the preparation of the financial statements was reviewed in the presence of the Statutory Auditors, notably exposure to risks and significant commitments, in respect of which the Finance Director provided the Committee with a specific memorandum.

A status report on asbestos-related litigation in the United States was presented regularly to the Committee.
In conjunction with the Statutory Auditors, the Committee conducted a detailed review of the financial impact and accounting implications of asbestos-related litigation on the U.S. subsidiaries concerned and the Group as a whole. The findings of this review were subsequently presented to the Board of Directors.

In addition, the Committee was informed by the Statutory Auditors of the amount of fees received from Group companies during 2006 in relation to statutory audits and their other services. The 2006 and 2007 data are provided on page 34.
Since October 1, 2003, the Company has implemented a procedural rule that strictly defines the services that may be commissioned from the Statutory Auditors and members of their network by Saint-Gobain Group companies, and services that are prohibited.

The other work performed by the Committee included a review of the budget for 2007 and of the Statutory Auditor's reports on the cash management application (TRAX) and on treasury transactions, as well as the Internal Audit Department's 2006 activity report, its audit schedule for 2007 and its first-half 2007 activity report, in addition to Doctrine briefs issued by the Finance Department in the first half of 2007.

Finally, the Committee also met individually and privately with the Statutory Auditors, the Chief Financial Officer, the Vice-President of the Financial Management Department, the Vice-President of the Treasury and Finance, Risk and Insurance Department and the Vice-President of the Internal Audit and Control Department, in compliance with the recommendations of the September 2002 AFEP-MEDEF report.

The Committee presented its work to the Board of Directors at meetings held on January 25, March 22, July 26 and September 20, 2007.

Appointments Committee

- Jean-Martin Folz, Chairman, replacing Gérard Mestrallet since June 8, 2007
- Sylvia Jay
- Jean-Cyril Spinetta

All three members of the Committee are independent directors (see page 23).

The Appointments Committee also performs the work of a remunerations committee, as provided for in the AFEP-MEDEF reports on corporate governance.

In accordance with the Internal Rules of the Board of Directors, the duties of the Appointments Committee are as follows:

- The Committee is charged with making recommendations to the Board of Directors whenever a directorship becomes vacant or expires. The Committee organizes a selection procedure for future independent Directors, in compliance with the criteria laid down in the AFEP-MEDEF report on "The Corporate Governance of Listed Companies".
- Each year, the Committee reviews the independence of each Director with regard to the criteria established in this report and presents its conclusions to the Board of Directors.
- It considers and makes recommendations to the Board regarding the appointment of the Chairman of the Board of Directors, whatever the reason for the vacancy.
- It considers the recommendation(s) of the Chairman of the Board regarding the appointment of a Chief Executive Officer and/or of one or several Chief Operating Officers, and reports accordingly to the Board.
- It makes recommendations to the Board of Directors regarding the amount and conditions of remuneration, particularly the criteria governing the variable portion, and pension benefits awarded to the Chairman of the Board, and other arrangements relating to the status of Chairman.
- It likewise makes recommendations regarding the remuneration of the Chief Executive Officer and/or of the Chief Operating Officer(s).
- It reviews the Group's general stock options policy, including the choice between share subscription options and share purchase options, and considers the recommendations of General Management concerning the granting of share subscription or purchase options to employees of the Saint-Gobain Group.
- It formulates recommendations regarding the granting of share subscription or purchase options to the Chairman of the Board of Directors and to other members of the Group's General Management.
- It submits corporate governance issues for examination by the Board of Directors, and conducts a periodic evaluation of the organization and operation of the Board of Directors.

The Committee met three times in 2007 with an attendance rate of 78%. Its work was particularly concerned with the following points:

First, it addressed the issue of the appointment to be recommended at the General Meeting to fill the directorships of Paul Allan David and Sehoon Lee whose terms of office were due to expire at the said meeting, and it submitted its proposals (Robert Chevrier and Yuko Harayama) at the Board Meeting. It also prepared the Board's review of the criteria for each Director's independence, as laid down in the AFEP-MEDEF report.

It also reviewed the terms and conditions applicable to the separation of the duties of Chairman of the Board of Directors and Chief Executive Officer in view of the termination of Jean-Louis Beffa's term of office as Chief Executive Officer when he will have reached the age limit and submitted its recommendations.

As is the case each year, the Committee reviewed Saint-Gobain's stock options policy[1] and finalized its recommendations to the Board of Directors concerning the number of beneficiaries and their breakdown and the nature of options granted, as well as the general and specific conditions for exercising the options and the performance conditions to which a proportion of these options is subject. Prior to presenting them to the Board, the Committee reviewed the proposed allocations of stock options based on the objectives as defined and finalized its proposals for options to be granted to Group Management. It also reviewed the timeliness of granting free share awards, and concluded that it would not make such a recommendation to the Board for 2007.

The Committee further made recommendations to the Board concerning the amount of the fixed portion and the criteria to be applied to determine the variable portion of corporate officers' remuneration for 2007 *(see pages 31 and 32)*.

The Committee presented its conclusions to the Board of Directors at the meetings of March 22, April 19 and November 15, 2007.

Remuneration of directors

The General Meeting of June 8, 2006 set the annual amount of attendance fees payable to Directors at €800,000.

The Board of Directors decided to allocate the above amount according to the following rules:

- The Chairman and the Chief Executive Officer of the Company do not receive any attendance fees.
- Each of the other members of the Board of Directors is allocated an annual lump sum of €25,600, to which is added €3,520 for each meeting attended.
- In addition, each Director who is a Chairman or member of the Financial Statements Committee or Appointments Committee is respectively allocated an annual lump sum of €7,360 or €2,560, to which is added €2,560 for each Committee meeting attended.
- Lump-sum amounts are prorated when terms of office begin or end in the course of the period.
- Payments are made in arrears at the end of each half-year and any remaining balance in the allocated annual amount is distributed at the outset of the following year proportionally to attendance at Board meetings during the previous year.

The gross amount of attendance fees paid for fiscal 2007 was €800,000 (same amount as in 2006).

The net individual amounts of attendance fees[2] paid by the Company to its Directors (including both lump-sum and variable payments) for 2007 were as follows: Isabelle Bouillot €71,627, Gianpaolo Caccini €47,679, Robert Chevrier

1 - The policy for granting stock-options and features of the stock option plans in effect are described on pages 17, 18 and 19.
2 - After deduction of the 25% withholding tax for Gianpaolo Caccini, Gerhard Cromme, Paul A. David, Sylvia Jay, José Luis Leal Maldonado and Sehoon Lee, whose tax residence is outside France.

€21,568.50, Gerhard Cromme €40,560, Bernard Cusenier €63,573, Paul A. David €26,111.25, Jean-Martin Folz €69,212, Yuko Harayama €21,568.50, Sylvia Jay €55,359.75, José Luis Leal Maldonado €40,560, Sehoon Lee €11,871.75, Gérard Mestrallet €62,412, Michel Pébereau €62,187, Denis Ranque €67,576, Jean-Cyril Spinetta €49,707.

Remuneration and benefits granted to corporate officers: principles and rules decided by the board of directors

Acting upon the recommendations of the Appointments Committee, the Board of Directors determined the remuneration and other arrangements relating to Jean-Louis Beffa's status as Chairman and Chief Executive Officer of the Company until June 7, 2007 and Chairman of the Board of Directors with effect from June 8, 2007, as follows:

- For the period January 1 to June 7, 2007, his annual base remuneration of €980,000, gross, remained unchanged and the variable portion was determined as follows:
  - one half of the variable portion was based on the quantitative criterion of year-on-year growth in Group net income excluding capital gains or losses at June 30, 2007, taking into account the growth objective in the budget for 2007;
  - the other half was based on two qualitative criteria of personal performance, whose results were assessed by the Appointments Committee;
  - the total variable portion was capped at 1.3 times the gross fixed remuneration.
- For the period of June 8 to December 31, 2007, his annual base remuneration was reduced to €650,000, gross, paid on a prorated basis and the variable portion was determined as follows:
  - one-third of the variable portion was based on the quantitative criterion of year-on-year growth in Group net income excluding capital gains or losses at December 31, 2007, taking into account the growth objective in the budget for 2007;
  - the other two-thirds were based on three qualitative criteria of personal performance, whose results were assessed by the Appointments Committee;
  - the total variable portion was capped at €400,000, gross, per year.

On this basis, as the quantitative criterion was not met pursuant to competition claims in the Flat Glass Sector, the amount of the variable portion of Jean-Louis Beffa's remuneration was €430,468, gross for 2007 (compared to €1,274,000 for 2006).

Jean-Louis Beffa's total remuneration (fixed and variable portions) was €1,226,430, gross for 2007 (compared to €2,254,000 for 2006).

With regard to the "commitments of any nature made by the company for the benefit of its officers" referred to in the French Commercial Code[1], the Board of Directors confirmed that in accordance with the pension benefits regulations for engineers and senior officers *(Règlement de retraite des ingénieurs et cadres)* adopted in 1972, which apply to Jean-Louis Beffa who reached the age of 66 in 2007, the basis for his pension benefits will be the sum of the fixed remuneration received in 2006 and the average variable remuneration received from 2002 to 2006. This average amount may not exceed 50% of the fixed remuneration received in 2006. Jean-Louis Beffa is eligible to receive pension benefits as of the termination of his term of office as Chairman of the Board of Directors.

No other commitment has been made to Jean-Louis Beffa concerning components of his remuneration, indemnities or benefits due or potentially due in relation to his leaving or changing office or subsequent thereto.

Acting upon a recommendation of the Appointments Committee, the Board of Directors set the remuneration of Pierre-André de Chalendar, Chief Operating Officer, then Chief Executive Office as of June 8, 2007, as follows:

- For the period January 1 to June 7, 2007, his annual fixed remuneration remained unchanged, i.e., €650,000, gross, prorated, and his variable remuneration, capped at 130% of the fixed remuneration, was determined as follows: one half was based on a quantitative criterion, determined in the same way as that for Jean-Louis Beffa, and the other half was based on three qualitative criteria of personal performance whose results were assessed by the Appointments Committee.
- For the period June 8 to December 31, 2007, his annual fixed remuneration was increased to €750,000, gross, prorated and his variable remuneration, capped at 150% of the fixed amount was determined as follows: one half was based on the quantitative criterion of year-on-year growth in Group net income excluding capital gains or losses at December 31, 2007, taking into account the growth objective in the budget for 2007, and the other half was based on the same qualitative criteria of personal performance as those of the first period whose results were assessed by the Appointments Committee.

On this basis, as the quantitative criterion was not met pursuant to the competition claims in the Flat Glass Sector, the amount of the variable portion of Pierre-André de Chalendar's remuneration was €458,750, gross for 2007 (compared to €845,000 for 2006).

Pierre-André de Chalendar's total remuneration (fixed and variable portions) was €1,164,519, gross for 2007 (compared to €1,495,000 for 2006).

In addition, the Board of Directors confirmed that Pierre-André de Chalendar will continue to benefit, as Chief Executive Officer, from the retirement scheme that he benefited from as an employee, resulting from the regulations drawn up with respect to pension benefits for engineers and senior officers *(Règlement de retraite des ingénieurs et cadres)*, adopted in 1972. The years of service completed in this capacity will be taken into account in the calculation of his past service which will be counted as from October 1, 1989, the date he joined the Group. The basis for calculating his pension benefits will be the fixed portion of the last remuneration received.

1 - Paragraph 3 of Article L. 225-102-1.

No other commitment has been made to Pierre-André de Chalendar concerning components of his remuneration, indemnities or benefits due or potentially due in relation to his assuming, leaving or changing office or subsequent thereto.

Pierre-André de Chalendar continues to benefit from the provisions of the assistance agreement entered into between Compagnie de Saint-Gobain and a service company specialized in the various aspects of the management of key senior executives, within the limit of 25 hours of consultations per year.

Jean-Louis Beffa and Pierre-André de Chalendar each have use of a company car and the services of a chauffeur.

They do not receive any attendance fees for their functions as corporate officers carried out in Group companies.

Remuneration of the members of Group Management

Attendance fees paid by the subsidiaries of Compagnie de Saint-Gobain to Directors representing the Group, particularly members of Group Management, are either transferred by the individual to the company which employs him or her, or are paid directly to the company.

For companies in which the Group has interests but which are not members of the Group, Directors' attendance fees paid to the Chairman of Compagnie de Saint-Gobain are fully repaid to the Company.

Remuneration levels for members of Group Management are set with the dual aim, on the one hand of placing them on a par with remuneration levels in comparable industrial groups and on the other, structuring them in a way that ensures that the personal work of these individuals contributes to growth in the Group's results.

To define a remuneration structure, Group Management commission specialized consultants to produce specific studies.

Remuneration for members of Group Management includes, in addition to a fixed amount, a variable portion whose purpose is to reflect the individual's personal involvement in leading an organization.

This principle requires the development of pay schemes taking into account quantitative criteria such as return on assets (ROA) or return on investment (ROI), as well as qualitative criteria such as the development of a specific business line or the setting up of Group operations in a new country.

The remuneration of members of Group Management is clearly tied to objective-driven management which requires intense personal commitment. It may be subject to significant changes from one year to the next depending on results and performance.

The total direct and indirect gross remuneration received in 2007 from all Group companies by the members of Group Management, as defined below, amounted to €15.2 million (compared to €13.3 million in 2006), of which the variable portion represented €7.1 million (compared to €5.4 million in 2006) and retirement bonuses for the year represented €0.7 million.

Group management

GROUP MANAGEMENT as of March 1, 2008

Executive management

Pierre-André de Chalendar Chief Executive Officer[1]

Jacques Aschenbroich Senior Vice-President

Jean-Claude Breffort Senior Vice-President

Philippe Crouzet Senior Vice-President

Jérôme Fessard Senior Vice-President

Jean-Pierre Floris Senior Vice-President[2]

Claude Imauven Senior Vice-President

Jean-François Phelizon Senior Vice-President

Bernard Field Corporate Secretary

Executive committee

Pierre-André de Chalendar

Benoît Bazin

Bernard Field

Functional management

Benoît Bazin Chief Financial Officer

Didier Roux Vice-President, Research

Thierry Lambert Vice-President, Internal Audit and Control[3]

Sophie Chevallon Vice-President, External Relations[3]

Gonzague de Pirey Vice-President, Corporate Planning[4]

Presidents of sectors

Jacques Aschenbroich President, High-Performance Materials Sector

Philippe Crouzet President, Building Distribution Sector

Peter Dachowski Vice-President, Construction Products Sector, North America

Jérôme Fessard President, Packaging Sector

Jean-Pierre Floris President, Flat Glass Sector[5]

Claude Imauven President, Construction Products Sector

1 Since June 7, 2007.
2 Since March 1, 2008.
3 Since June 8, 2007.
4 Since October 1, 2007.
5 Jacques Aschenbroich until August 31, 2007.
6 Jean-François Phelizon until August 31, 2007.

Presidents of sectors

Jacques Aschenbroich
General Delegate to North America[6]

Olivier du Boucheron
General Delegate to Benelux

Benoît Carpentier
General Delegate to Spain, Portugal and Morocco

Gilles Colas
General Delegate to the Asia-Pacific Region

Laurent Guillot
General Delegate to Brazil and Argentina

Jean Laronze
General Delegate to Poland, Ukraine and Russia

Roland Lazard
General Delegate to the United Kingdom, Ireland and South Africa

Olivier Lluansi
General Delegate to Romania, Bulgaria and Turkey

Anand Mahajan
General Delegate to India

Paul Neeteson
General Delegate to Germany and Central Europe

Guy Rolli
General Delegate to Mexico, Venezuela and Colombia

Gianni Scotti
General Delegate to Italy and Greece

Jorma Toivonen
General Delegate to the Nordic Countries and the Baltic States

Statutory Auditors of the Company

As of December 31, 2007, the Statutory Auditors of the Company were:

- PricewaterhouseCoopers Audit, 63 rue de Villiers, 92208 Neuilly-sur-Seine (France), represented by Pierre Coll and Rémi Didier, reappointed on June 10, 2004 for a six-year term expiring at the 2010 General Meeting.
- KPMG Audit, a division of KPMG SA, 1 Cours Valmy, 92923 Paris-La Défense (France), represented by Jean Gatinaud and Jean-Paul Vellutini, reapppointed on June 8, 2006 for a six-year term expiring at the 2012 General Meeting.

The Substitute Statutory Auditors are:

- Yves Nicolas, 63 rue de Villiers, 92208 Neuilly-sur-Seine (France), appointed on June 10, 2004, whose term of office will expire at the 2010 General Meeting.
- Fabrice Odent, 1 Cours Valmy, 92923 Paris - La Défense (France), appointed on June 7, 2007, whose term of office will expire at the 2012 General Meeting.

Fees paid by the Group to the Statutory Auditors and the members of their networks for 2007

in € millions	PricewaterhouseCoopers				KPMG			
	Amount		%		Amount		%	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Audit								
Statutory audit and contractual audits								
The issuer	0.7	0.8	5%	7%	0.7	0.7	6%	6%
Fully consolidated subsidiaries	10.5	10.1	79%	90%	10.7	10.0	92%	93%
Total	**11.2**	10.9	**84%**	97%	**11.4**	10.7	**98%**	99%
Other services directly related to the statutory audit engagement								
The issuer	0.4	0.2	3%	1%	0.0	0.1	0%	1%
Fully consolidated subsidiaries	1.7	0.2	12%	2%	0.2	0	2%	0%
Total	**2.1**	0.4	**15%**	3%	**0.2**	0.1	**2%**	1%
Sub-total	**13.3**	11.3	**99%**	100%	**11.6**	10,8	**100%**	100%
Other services provided by the members of the network to the fully consolidated subsidiaries								
Legal and tax advisory services	0	0	0%	0%	0	0	0%	0%
Other (give details if they represent 10% of the audit fees)	0.1	0	1%	0%	0	0	0%	0%
Sub-total	**0.1**	0	**1%**	0%	**0**	0	**0%**	0%
TOTAL	**13.4**	11.3	**100%**	100%	**11.6**	10.8	**100%**	100%

Bylaws

Saint-Gobain is a French *société anonyme* governed by Articles L. 120-1 et seq. of the French Commercial Code, with its head office at Les Miroirs, 18 avenue d'Alsace, 92400 Courbevoie, France (Tel: +33(0)1 47 62 30 00). It is registered with the Nanterre Trade and Companies Registry under no. 542039532 (activity code APE 741J), Siret number 54203953200040.

The Company's corporate purpose may be summarized as the performance and management in France and elsewhere of all industrial, business, financial, plant, equipment and property operations related to industrial and commercial activities, notably through its French and foreign subsidiaries and affiliated companies (Article 3 of the bylaws). The financial year of the Company is from January 1 to December 31. The Company's legal term will expire on December 31, 2040, unless the Company is dissolved prior to that date or an extension is obtained.

The official documents concerning the Company may be consulted at its head office, Les Miroirs, 18 avenue d'Alsace, 92400 Courbevoie, France, Investor Relations Department.

Special clauses in the bylaws

These are summarized below:

Capital stock

The bylaws require the disclosure to the Company, within five trading days, of each fractional, direct, indirect or joint holding of at least 0.50% of the capital or voting rights or any multiple of this percentage. The same obligation exists when a direct, indirect or joint holding falls below one of these thresholds. Violation of this obligation can be sanctioned by the withdrawal of voting rights exceeding the undeclared fraction, for a period of two years from the date of disclosure of the undeclared holding, if one or more shareholders holding at least 3% of capital stock or voting rights so request, and this is included in the minutes of the General Meetings (decisions of the General Meetings of June 23, 1988, June 15, 1990 and June 10, 2004).

Furthermore, the Company can request information relating to the composition of shareholdings and the owners of its shares in accordance with legislation and regulations in force.

Board of Directors of the company

The Company has a Board of Directors made up of at least three and no more than fifteen members, including one Director representing employee shareholders (General Meeting of June 6, 2002).

The duration of Directors' terms of office has been set at four years, subject to an age limit of 70. The age limit for the Chairman of the Board is 68. The Chairman of the Board of Directors may also be responsible for the general management of the Company, at the discretion of Board members. In this case, the Chairman is also Chief Executive Officer and the applicable age limit is 65; the same as applies to a Chief Executive Officer who is not the Chairman and to Chief Operating Officers (General Meetings of June 6, 2002 and June 5, 2003).

The terms of office of members of the Board of Directors and of the Chairman of the Board (whether or not the function is combined with that of Chief Executive Officer) expire at the close of the General Meeting held to approve the financial statements of the year in which they reached the age limit.

The Board of Directors determines and monitors the implementation of the overall business strategy of the Company (General Meeting of June 6, 2002).

The Chairman of the Board of Directors organizes and manages the work of the Board (General Meeting of June 10, 2004).

Board meetings may be held by means of videoconferencing technology to the extent authorized by law (General Meeting of June 28, 2001).

Each Director must own at least eight hundred Company shares (General Meetings of June 24, 1999, June 28, 2001 and June 5, 2003).

General meetings

Any shareholder may attend a General Meeting in person or be represented by a proxy, subject to providing proof of identity and evidence of ownership of shares as indicated in the notice of meeting, at least five days before the date of the General Meeting and in accordance with legal requirements concerning the attendance of shareholders at General Meetings. However, the Board of Directors may decide to shorten or waive this mandatory lead time provided the change is applied to all shareholders equally.

A shareholder may be represented only by his/her spouse or by another shareholder. Legal entities that hold shares may be represented at Meetings by their legal representatives or by any other person so designated by the legal representative.

The voting rights attached to each share are exercised by the beneficial owner at all Shareholders' General Meetings. Each shareholder has the right, without any limitation, to the number of votes attached to or represented by the shares held.

However, double voting rights are granted in respect of all fully paid-up shares registered for two years in the name of the same shareholder. In addition, when the capital is increased by the capitalization of reserves, profits or issue premiums, a right to a double vote is granted on issue to each bonus share distributed free of charge to a shareholder owning shares giving rise to this right (decision of the General Meeting of February 27, 1987).

Any share converted into bearer form or whose ownership is transferred loses the right to a double vote. Nevertheless, transfers resulting from an inheritance or from the liquidation of the joint estate of a husband and wife, or donations inter vivos to a husband, wife or family member entitled to share in the estate do not result in the loss of the right and do not interrupt the two-year period referred to in the previous paragraph.

Voting by mail may take place, subject to the terms and conditions laid down in legal and regulatory provisions.

Appropriation of net income

An amount of at least 5% of net income, less losses of prior years if applicable, will be appropriated so as to set up the legal reserve required by law. This appropriation ceases to be mandatory when the legal reserve is equal to 10% of the capital. Further appropriations must be made if the reserve falls below 10% of the capital.

Distributable income is comprised of the net income for the year less losses carried forward from prior years and any amount to be appropriated to reserves in accordance with legal requirements or the provisions of the bylaws, plus any retained earnings.

Out of distributable income, the General Meeting appropriates successively:
1. Amounts judged appropriate by the Board of Directors to set up contingency or extraordinary reserves, or to be carried forward to the following year;
2. From any remaining balance, the amount necessary to pay shareholders a preliminary dividend of 5% on their fully paid-up and non-redeemed shares, without, however, conferring a right, if the profit of a year does not permit such a distribution, to claim any such unpaid amounts in future years;
3. Amounts available after such appropriations to be distributed to shareholders.

The General Meeting which approves the financial statements for the year has the power to grant to each shareholder, in respect of all or part of a dividend or an interim dividend to be distributed, the choice of payment in cash or in shares.

*

The bylaws of Compagnie de Saint-Gobain may be consulted at its Legal Department. A copy of the bylaws may be obtained from the office of the Clerk of the Nanterre Commercial Court.

Regulated agreements entered into during the year

No regulated agreements were entered into in 2007 within the meaning of the law prior to the French Act of *August 21, 2007*.

Under the French Act of August 21, 2007, the defined benefit pension plans which already applied to corporate officers on the date of its entry into force must be brought into compliance with said Act. Consequently, two resolutions on the commitments made towards to Jean-Louis Beffa, Chairman of the Board, and Pierre-André de Chalendar, Chief Executive Officer of the Company, prior to said Act, as described on pages 31 and 32, will be submitted for approval to the Shareholders' Meeting of June 5, 2008.

In accordance with the French Acts of July 26, 2005 and August 21, 2007, the Shareholders' Meeting will also be asked to approve the commitment made by the Board of Directors, acting upon a recommendation of the Appointments Committee, at its meeting of March 20, 2008, to Pierre-André de Chalendar, Chief Executive Office, "concerning components of his remuneration, indemnities or benefits due or potentially due in relation to his leaving or changing office or subsequent thereto"[1] which is subject to the achievement of performance criteria by the beneficiary.

This commitment provides that in the event of termination of his office as Chief Executive Officer following his removal from office or the non-renewal of his appointment, Pierre-André de Chalendar will be entitled to termination benefits set at three times the amount of his most recent annual base remuneration as Chief Executive Officer on the day of said termination plus his average annual variable remuneration as Chief Executive Officer over the last three years (or if three years have not elapsed, the number of years set by the Board of Directors since his appointment as Chief Executive Officer). These benefits are not payable in the event of gross misconduct in the performance of his duties. Entitlement to these benefits is subject to the achievement of the following performance criteria: an average return on capital employed (ROCE) of 12% during the last three years preceding the termination of his duties (or, if three years have not elapsed, the years that have elapsed since his appointment as Chief Executive Officer). If the rate is higher than 12%, the termination benefits will be payable in full, if the rate is lower than 12% but higher than 10%, three quarters of the benefits will be payable, if it is lower than 10% but higher than 8%, half of the benefits will be payable, and if the rate is below 8% no termination benefits will be due. The termination benefits will be paid without any other compensation in connection with the possible termination of Pierre-André de Chalendar's employment contract, which has been suspended since his appointment as Chief Operating Officer on May 3, 2005. In addition, Pierre-André de Chalendar will no longer be eligible for the pension benefits mentioned above if he leaves the Group before reaching the retirement age as defined in the pension benefits regulation for engineers and senior officers. Finally, the Board of Directors provided that if his term of office as Chief Executive Officer is terminated or not renewed, other than for gross misconduct in the performance of his duties, Pierre-André de Chalendar will still be entitled to the Saint-Gobain stock options granted to him prior to said termination.

*

At the meeting of March 20, 2008, the Board of Directors accepted the recommendations and commitments made by Wendel in its letter sent to Compagnie de Saint-Gobain dated March 18, 2008 (see pages 14 and 15). The acceptance of these recommendations and commitments is treated as a regulated agreement within the meaning of Article L. 225-38 of the Commercial Code. This agreement is subject to the approval of the Shareholders' Meeting of June 5, 2008.

1 Article L. 225-42-1 of the French Commercial Code.

Report of the chairman of the Board of Directors

on the organization and preparation of the work of the Board, the internal control procedures implemented by Compagnie de Saint-Gobain and possible limitations on the powers of the Chief Executive Officer.

This report has been prepared in accordance with Article L. 225-37 of the French Commercial Code.

I. Organization and preparation of the work of the Board of Directors

All of the information required by law concerning the organization and preparation of the work of the Board of Directors as well as the principles and rules decided by the Board for determining remuneration paid and benefits granted to corporate officers is presented above in the sections dealing with the membership, renewal, operational structure and Committees of the Board of Directors, remuneration of Directors and remuneration and benefits granted to corporate officers (pages 23 to 32), referred to herein.

II. Internal control procedures implemented by Compagnie de Saint-Gobain

The purpose of Compagnie de Saint-Gobain's internal control system is to ensure that the transactions carried out by the Company are consistent with the Group's objectives in terms of performance and profitability on the one hand and to safeguard the Group's assets, to ensure the reliability of its financial disclosures and compliance with prevailing laws and regulations on the other.

This system relies on a dedicated organization and on procedures.

General organization of the internal control system of Compagnie de Saint-Gobain

Internal control structures

The internal control system is founded on the Group's matrix organization comprising operational Sectors (business units) and General Delegations (geographic regions), and on functional departments. The principal functional departments are presented below.

Internal Audit and Control Committee

The Internal Audit and Control Committee was set up in June 2007. It assists the Chief Executive Officer in defining the general framework of the Group's internal control system and overseeing its implementation.

Committee meetings are held every two months in the presence of:

- The Corporate Secretary, whose responsibilities also include corporate governance and Principles of Conduct and Action within the Group, as well as Legal and Tax Matters; and the Vice-President of the Responsible Development Department;
- The Chief Financial Officer, who is also responsible for Corporate Planning, Information Systems, Purchasing, Insurance and Industrial Risks; and the Vice-President of the Financial Management Department;
- The Senior Vice-President in charge of Human Resources and International Development, whose responsibilities also include Corporate Communication, Environmental, Health and Safety policies, and supporting the General Delegations;
- The Vice-President of the Internal Audit and Control Department and his deputy.

Internal Audit and Control Department

The Internal Audit and Control Department coordinates the process of defining and implementing the Group's internal control system. It ensures that the system is implemented by Group companies through:

- a self-assessment procedure, which it manages in cooperation with the Sectors and General Delegations (see internal control self-assessment questionnaire below);
- its audits.

Since June 2007, the Vice-President of the Internal Audit and Control Department reports to the Group's Chief Executive Officer. He attends an individual meeting with the Financial Statements Committee once a year.

Internal auditors are assigned to the Company's head office and the Group's principal General Delegations. They carried out about 180 engagements in 2007, each giving rise to a report, which was submitted to the Group's General Management, and to the Presidents of the relevant Sectors and General Delegations. A summary report is also submitted to the Financial Statements Committee of the Board of Directors.

There is close co-operation between the Internal Audit and Control Department and the Statutory Auditors, based on sharing information while fully respecting the independence of each party. This cooperation enhances the effectiveness of control procedures and avoids any superfluous controls. Internal control reports are distributed in their entirety to the Group's Statutory Auditors, while summary audit reports, internal control reports and reviews of computer systems produced by the Group's Statutory Auditors are submitted to the Internal Audit and Control Department.

Internal audit engagements are scheduled on the basis of risks identified jointly by the Company's Internal Audit and Control Department, the Sectors and the General Delegations. The engagement schedule is submitted to the Group's General Management and to the Financial Statements Committee of the Board of Directors.

Upon the completion of each audit, a report is issued containing the observations made during the audit. This report and the responses received from the audited company serve as a basis for conclusions, recommendations and an action plan, which must be implemented by the audited company within specified periods.

Every six months, the Internal Audit Department and the Sectors are updated on the progress of the action plan until all the recommendations have been duly implemented. After the implementation period, the Internal Audit Department performs a follow-up audit to assess the progress made by companies whose internal control measures needed to be improved.

Where there is a presumption of fraud or embezzlement, the Internal Audit Department implements the appropriate procedures.

Environment, Health and Safety Department

The Environment, Health and Safety (EHS) Department formulates and coordinates the Group's policy in respect of the environment, health and safety. The EHS Department has produced a Reference Manual, referred to below, that must be complied with by the management of the units.

The EHS Department ensures that the principles set out in the Reference Manual are adhered to on the basis of in-depth audits ordered by the Company, the Delegations or the Sectors. These audits are organized around a twenty-point framework for the Group's industrial units and a twelve-point framework for its commercial units. Audits are conducted by auditors from the Group who, for the most part, also play an operational role in environmental, health and safety compliance and who have received appropriate training in audit techniques. The process is doubly rigorous in that sites are assessed by auditors from a different Sector of the Group. These audits are now fully "integrated", incorporating environmental, health and safety aspects. The audit standards used comply with OSHAS 18001 and ISO 14001. In 2007, 285 twelve-point audits and nearly 280 twenty-point audits were conducted within the Group.

Information Systems Department

In addition to its general functions concerning information systems, the Information Systems Department is tasked with formulating the Group's policy in respect of the security of information systems and computer networks.

Risks and Insurance Department

The Risks and Insurance Department defines the Group's industrial risk management policy.

The Department issues guidelines on coverage, referred to below, and organizes visits to key sites (about 410 in 2007) by external audit engineers. Upon completion of each assignment, a report is issued with recommendations that enable site management to craft an action plan.

In addition to helping to reduce exposure to accident risks, these audits are used to ensure that insurance coverage matches potential risks, by adjusting coverage limits as required.

On January 1, 2004, the Group set up a captive property and casualty insurance subsidiary, which covers Saint-Gobain industrial and commercial sites outside the United States, Canada and Brazil for up to $12.5 million per claim and the sites in North America for up to $15 million per claim. This mechanism facilitates decision-making with regard to providing suitable coverage.

As a general rule, property damage and civil liability insurance coverage provided to subsidiaries is handled either directly by the Risks and Insurance Department or by the Delegations in the United States, Canada and Brazil, under the supervision of the Risks and Insurance Department.

Treasury and Financing Department

The Treasury and Financing Department defines the financing policy for the entire Group (Company, General Delegations and subsidiaries).

Treasury operations are monitored regularly: The Company's Treasury and Financing Department is audited on a half-yearly basis. This audit includes reviewing treasury transactions carried out during the previous six months, even those completed at December 31, and looks at content and the related risks incurred, where appropriate. The Statutory Auditors also examine treasury transaction records as part of their annual audit. New information systems are audited upon entry into service or subsequently. Existing systems are reviewed on an annual basis by the Statutory Auditors in order to assess their level of internal security.

The Internal Audit Department reviews the treasury transactions of the General Delegations, periodically, on a rotating basis to assess compliance with the Treasury and Financing Department's policy and the quality of internal controls.

At the level of the subsidiaries, the internal control of treasury transactions is an integral part of the general reviews performed by the Internal Audit Department. It is also included in the examinations performed by the subsidiaries' Statutory Auditors.

At Group level, the treasury position is monitored monthly, based on the calculation of gross and net indebtedness. A detailed analysis is performed by currency, interest rate and maturity, before and after the impact of any derivative financial instruments used.

Issues of commercial paper or treasury notes, which raise funds to meet the Group's short-term financing needs, are also reported on a monthly basis. Given the special role played by Compagnie de Saint-Gobain in the Group's financing, the structure of its debt, broken down between active and passive positions, is likewise analyzed monthly. Each month, the Treasury Department also reports to the Finance Department on the treasury transactions performed during the month, with a particular emphasis on derivative financial instruments.

Financial Control

The Financial Control function performs in-depth analyses of the financial impact of investments, acquisitions, divestments, mergers and transactions affecting the capital proposed by the Sectors, irrespective of the amounts involved. Financial Control staff also consult the relevant Departments and General Delegation on related legal, tax and employment issues. Their findings are then forwarded through the Company's Finance Department to the Group's General Management for decision-making.

Internal control procedures at Compagnie de Saint-Gobain

Compagnie de Saint-Gobain has developed an extensive set of internal control procedures governing its own organization and that of its subsidiaries. Key procedures are presented below.

■ Self-assessment questionnaire

Compagnie de Saint-Gobain designed a 400-point questionnaire in 2005, to assess internal control procedures in the following areas: the Group's Principles of Conduct and Action, financial management, treasury and financing, insurance, accounting, tax and legal matters, information systems, human resources, the environment, health and safety, industrial risks, sales, marketing, research and development, purchasing, logistics and production.
This questionnaire was rolled-out in the Group companies in successive phases during the period 2006 to 2007.
50 questions were added to the questionnaire during the last phase, to take into account the recommendations of the *Autorité des Marchés Financiers* on how to implement the internal control reference framework, published in January 2007, with respect to accounting and financial information.

Around 720 of the Group's operating units were asked to assess their own level of internal control in each area covered by the questionnaire. They were then asked to design and implement an action plan aimed at strengthening their internal control procedures in the key areas in which the self-assessment had revealed insufficiencies.

An information system was set up at the level of the Group to monitor the assessments and the implementation of the corrective action contained in the companies' action plans. The self-assessment process was carried out under the supervision of management at Sector and General Delegation level and progress reports were submitted to the Group's General Management Committee.

■ Group Doctrine

The financial, administrative and management procedures applicable to Group companies are the responsibility of Compagnie de Saint-Gobain's Doctrine Department. Together they compose a body of rules, methods and procedures enshrined in roughly 450 texts that can be accessed on the Group's intranet. Group companies use these rules, methods and procedures as a basis when setting up their own internal control procedures.

These rules, methods and procedures are organized into broad sections: organization, management and administration; financial information system; group consolidation; accounting and tax; financial reporting; management aids; International Financial Reporting Standards and specific French requirements.

The formulation and validation of Doctrine briefs are subject to a procedure that brings together the functional departments concerned. The next stage is initial validation by the Doctrine Committee, composed of Finance Directors at the Sector and Delegation levels and the relevant functional managers of the Company.

In 2007, the Doctrine Department continued to update the briefs: 41 briefs were added, updated or amended. A new section was created to address specific tax and accounting requirements in France.

Emphasis was also placed on facilitating access to the Doctrine. This was achieved by revamping the Doctrine Department's intranet site, organizing a two-day French accounting and tax event at the time the half-year and annual financial statements were closed and providing access to tools such as the "2008 SIF chart of accounts" leaflet or the IFRS summary fact sheet.

■ Environment, Health and Safety Reference Manual

The EHS Reference Manual explains the action to be taken to meet the Group's general objectives in terms of respect for the environment and the prevention of accidents and occupational illnesses. This action focuses on the main risk identification phases, the implementation of preventive measures, and effectiveness monitoring and evaluation.

The EHS Reference Manual is available on the Group's intranet and is circulated to all Group units. A specially adapted version has been prepared for the Building Distribution Sector.

Self-diagnosis tools are used for general internal control purposes. The approach is based on a detailed list of questions and an evaluation grid, and is intended to provide site managers with a straightforward and rapid overview of their facility's EHS situation. Saint-Gobain uses two types of self-diagnosis tool, one for industrial sites and the other for distribution operations. The first tool type was overhauled in 2005 to make the software more user-friendly and to tailor its content more closely to the needs of the operations monitored. The second was tested during 2006 under a pilot program in France and has now been made available to all the Delegations. Unlike the industrial self-diagnosis tool, the software used for distribution operations is intended for small-scale facilities (with less than 50 employees) and factors in two features specific to the Building Distribution Sector: the presence of customers on-site and a more dispersed management structure that may be less hands-on and more consensual.

Furthermore, the EHS Department devises Group EHS standards, with the assistance of its network, which are methods for resolving a given EHS issue. The implementation of these methods is obligatory. The documents and tools it has devised include implementation guides, procedures, training kits and software tools. They allow a given risk to be quantified and controlled with the same bases for prevention at all Group sites, regardless of the country, local legislation or regulations.

NOS (NOise Standard) was devised in 2004 to identify, assess and control potential exposure to noise at the workplace. It was extended to the entire Group, including subsidiaries established in non-European countries, in 2005.

TAS (Toxic Agents Standard) was devised to identify, assess and control potential exposure to toxic agents at the workplace. A pilot version of this standard was introduced in 2005 with the launch of the crystalline silica implementation guide, which is currently being applied. The TAS framework document dated November 29, 2006 specifies the context, aims and implementation method of the TAS, through the use of implementation guides and dedicated tools. Since the pilot scheme concerning crystalline silica, three other TAS implementation guides have been issued concerning construction work, the renovation and maintenance of melting furnaces, the handling of nanomaterials in the research and development centers and the use of fibrous materials.

The standard for an overall assessment of industrial risks was devised to identify and quantify exposure to risks and to prioritize potential risks to health and safety on the sites of the Saint-Gobain Group as a basis for devising actions plans aimed at reducing and controlling those risks.

Finally, the accident analysis standard defines the criteria on which any method used within the Group to analyze the cause of accidents must be based.

- General rules and procedures governing the security of information systems

The Information Systems Department has compiled a set of rules and best practices concerning information systems and networks in the form of general principles and technical standards, which are regularly updated in parallel with technological advances.

The Department coordinates a bi-annual self-assessment plan. Based on its associated reporting process, the plan measures the progress made by Group companies and triggers corrective measures, as needed. This plan is based on ISO 17799. In 2007, self-assessment was implemented by 716 companies.

- Industrial and distribution risk prevention manual

The risk prevention manual developed by the Risks and Insurance Department provides guidance for site managers and their teams concerning the preventive measures required in order to mitigate industrial risks. The manual prescribes the rules to be applied, instructions for the conduct of site visits by insurance engineers, preventive and protective measures, post-incident feedback, safety mechanisms to be incorporated into future projects, and operating procedures and methods. This methodical approach enables sites to progress towards the implementation of appropriate procedures and preventive measures.

- Internal operating procedures of the Company, Sectors and General Delegations

The activities of the Company's Departments – in particular, the Treasury and Financing Department, the Accounting and Securities Department and the Consolidation Department – are governed by internal operating procedures. Thus, for each member of staff at the central Treasury and Financing Department or within the Group's other treasury-related services, the field of competence, duties, obligations and authorized financial instruments are set out in a doctrine brief. Other Doctrine briefs deal with matters such as responsibilities, powers and control, the treatment of comfort or guarantee letters and the management of bank accounts.

The Sectors and Delegations have also developed internal procedures to meet their own specific requirements in conjunction with the rules of the Doctrine Department.

- Organization of internal control for the preparation and processing of the financial and accounting information made available to shareholders

Parent Company financial statements

The Accounting Department provides financial information to shareholders, partners and third parties in accordance with French legal requirements. This information is based on accounting standards and principles in force. These include the generally accepted principles of going concern, consistency, the intangibility of the opening balance sheet, the matching principle, the accrual basis principle and the pre-eminence of content over form.

- Organization of the accounting function

The organization of the accounting function is based on the rules, methods and procedures prescribed in Group Doctrine briefs.

It facilitates the monthly reconciliation and substantiation of accounts, with the related events reconstructed to form an audit trail. The occurrence of material events should be anticipated and the most suitable accounting entry recorded for each case. Early error detection and prevention are also central concerns.

The chart of accounts is linked to the Group's financial information system. It is adapted in line with transaction classification requirements and is consistent with the materiality concept.

- Internal control

In addition to control of compliance with payment procedures and the dual signature requirement for secure payment methods, the Accounting Department's role in internal control includes guaranteeing the fulfillment of the responsibilities defined by General Management and enshrined in a cost accounting structure for each center of responsibility or "cost center".

The Department sends monthly schedules to the heads of the cost centers to enable them to verify that costs incurred pursuant to payment orders signed by them have effectively been dealt with and to compare actual monthly and aggregate expenditure with the initial budget.

A summary version of these documents is sent to the Finance Department and General Management each month.

Consolidated financial statements

The consolidated financial statements are prepared by the Group Consolidation and Reporting Department. This Department is also responsible for the updating of consolidation procedures, the consolidation of subsidiaries, the processing of reporting data and the maintenance of consolidation tools.

- Group accounting standards

The consolidated financial statements of Compagnie de Saint-Gobain and its subsidiaries are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for use in the European Union at December 31, 2007 and with the IFRS issued by the International Accounting Standards Board (IASB).

The Consolidation Department provides information and periodic training for the subsidiaries, in consultation with the Sectors and Delegations. For this purpose, the Department draws on a consolidation manual, an intranet site and training software in French and English. It provides the relevant instructions on changes in standards and procedures on a regular basis.

In 2007, the Group continued to provide IFRS training to its employees and to incorporate newly-acquired entities in the financial information system. It also overhauled its training software tool to take into account the latest system upgrades.

- Organization of the Group consolidation process

The Group consolidation process involves consolidation groups and sub-groups that are hierarchically accountable to the Sectors and functionally accountable to the Group Consolidation and Reporting Department. This process, which mirrors the Group's organization based on Sectors (business units) and General Delegations (geographic regions), is intended to ensure the reliability of accounting data, by monitoring and processing the data close to operational staff.

- Processing of information and control of accounting data

Each subsidiary submits its reporting package in accordance with a schedule fixed by the Company. The data are checked and processed at the level of each business unit, reviewed by the appropriate General Delegation and then passed up to the Consolidation Department, which examines all packages and makes the necessary consolidation adjustments.

The consolidated financial statements are subsequently examined by the Statutory Auditors in accordance with professional auditing standards. Subsidiaries' accounts are examined by their local auditors, who adapt procedures in keeping with local legal requirements and the size of the companies concerned.

- Consolidation tools

The software used for the preparation of the financial statements is equipped with a powerful and efficient database that is matrix-based, like Saint-Gobain itself.

The software can handle database information at the various consolidation levels and centralizes all data contained in the Group database in a transparent manner.

The consolidation software also feeds into a communication tool that transmits information to General Management, and the Management of the Sectors and the General Delegations, thereby providing internal control of information output.

- Reliability of accounting data underpinned by the reporting process

The reporting process ensures the reliability of the information contained in the Group's interim and annual financial statements.

The June 30 and December 31 closings also include a pre-closing procedure: the main financial and tax managers from the Company, Sectors, Divisions and the General Delegations carry out an in-depth review of income forecasts and the outlook for each consolidated entity in the presence of the relevant Finance Director and head of tax affairs. Companies' financial statements are thus analyzed in detail from an accounting and tax standpoint, prior to final closing. This procedure enables the early detection of errors and the adoption of corrective measures during the normal closing phases.

Since 2006, the Group has implemented a quarterly reforecasting process which enables it to adjust its estimates on a regular basis in accordance with actual changes in the results of previous months.

This cross-checking between the Company, Sectors and General Delegations is a key element of the Group's internal control system governing the financial and accounting information provided to shareholders.

A detailed, consolidated report, supplemented by comments and analyses on major events and points raised during the period, is sent to the Company's General Management on a monthly basis.

III. Possible limitations on the powers of the Chief Executive Officer

The Chief Executive Officer of Compagnie de Saint-Gobain was appointed by the Board of Directors on June 7, 2007. The Board did not provide for any limitations on his powers as Chief Executive Officer.

Statutory Auditors' report

Prepared in accordance with article L. 225-235 of the French Commercial Code, on the report prepared by the Chairman of the Board of Directors of Compagnie de Saint-Gobain, on the internal control procedures relating to the preparation and processing of financial and accounting information

To the Shareholders,

In our capacity as Statutory Auditors of Compagnie de Saint-Gobain and in accordance with the provisions of Article L. 225-235 of the French Commercial Code *(Code de commerce)*, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended December 31, 2007.

It is the Chairman's responsibility to describe in his report the preparation and organization of the Board of Directors' work and the internal control procedures implemented by the Company. It is our responsibility to report to you on the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with French professional standards. These standards require that we perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures mainly consisted of:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report and existing documentation are based;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weakness in the internal control relating to the preparation and processing of financial and accounting information that we may have identified during the course of our work are properly described in the Chairman's report.

On the basis of these procedures, we have no matters to report on the information given on internal control procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board of Directors' report, prepared in accordance with Article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine and Paris La Défense, March 20, 2008

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG Audit
Division of KPMG S.A.

Pierre Coll

Rémi Didier

Jean Gatinaud

Jean-Paul Vellutini

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

Statutory Auditors' special report on regulated agreements and commitments with third parties

To the Shareholders,

In our capacity as Statutory Auditors of Companie de Saint-Gobain, we hereby report to you on regulated agreements and commitments with third parties.

Agreements and commitments entered into during the year ended December 31, 2007, and up to the board meeting of March 20, 2008

In accordance with article L. 225-40 of the French Commercial Code *(Code de commerce)*, we were informed of the agreements and commitments approved by your Board of Directors.

Our responsibility does not include identifying any undisclosed agreements or commitments. We are required to report to shareholders, based on the information provided, about the main terms and conditions of agreements and commitments that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of article R. 225-31 of the French Commercial Code, it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Defined benefit pension schemes for corporate officers
Directors: Jean-Louis Beffa and Pierre-André de Chalendar

At its meeting of March 20, 2008, your Board of Directors authorized the following agreements, in accordance with the French law of August 21, 2007, which provided for the updating of defined benefit pension schemes for corporate officers. This law applies to schemes in progress as of August 21, 2007.

Accordingly, the pension schemes set up prior to this law, for Jean-Louis Beffa, Chairman of the Board of Directors, and Pierre-André de Chalendar, Chief Executive Officer, are described hereunder:

- **For Jean-Louis Beffa:** The Board of Directors confirmed that in accordance with the pension benefits regulations for engineers and senior officers *(règlement de retraite des ingénieurs et cadres)* adopted in 1972, which apply to Jean-Louis Beffa, the basis for his pension benefits will be the sum of the fixed remuneration received for 2006 and the average variable remuneration received over the period 2002 – 2006, inclusive. This average amount may not exceed 50% of the fixed remuneration paid for 2006. The pension calculated using this method will take effect as from the termination of Jean-Louis Beffa's term of office as Chairman of the Board of Directors.
- **For Pierre-André de Chalendar:** The Board of Directors confirmed that Pierre-André de Chalendar will continue to benefit as Chief Executive Officer from the retirement scheme that he benefited from as an employee, in accordance with the pension benefits regulations for engineers and senior officers adopted in 1972. The years of service completed in this capacity will be taken into account in the calculation of his past service, which will be counted as from October 1, 1989, the date he joined the Group. The basis for calculating his pension benefits will be the fixed portion of the last remuneration received.

Agreement regarding components of remuneration and termination indemnities due under certain circumstances in the event of the termination of Pierre-André de Chalendar's duties as Chief Executive Officer

Chief Executive Officer: Pierre-André de Chalendar

At its meeting of March 20, 2008, and at the proposal of the Appointments Committee, your Board of Directors made a commitment in favor of Pierre-André de Chalendar, Chief Executive Officer, in accordance with the French laws of July 26, 2005 and August 21, 2007. The terms and conditions of this commitment are as follows:

- In the event of the termination of his duties as Chief Executive Officer by means of non-renewal or removal from corporate office, except for gross or serious misconduct, Pierre-André de Chalendar will be entitled to an indemnity worth three times the cumulative amount of his last fixed annual salary as Chief Executive Officer, as of the date of said termination, and to the average annual variable remuneration received over the last three years (or, if three years have not passed, over the number of years fixed by the Board of Directors since his appointment as Chief Executive Officer). This indemnity will be subject to the following performance conditions: achieving an average return on capital employed (ROCE) of 12% over the three years preceding the termination of his duties (or, if three years have not passed, the number of years that have passed since his appointment as Chief Executive Officer). If the rate is above 12%, the indemnity will be payable in full; if it is less than 12% but greater than 10%, three-quarters of the indemnity will be payable; if it is less than 10% but greater than 8%, half of the indemnity will be payable. No indemnity will be payable if the rate is below 8%. The payment of any such indemnity will be exclusive of any other compensation connected to the possible termination of the employment contract held by Pierre-André de Chalendar up to his appointment as Chief Operating Officer on May 3, 2005, which has been suspended since said appointment.

- In the event that he leaves the Group prior to the retirement age specified by the pension benefits regulations for engineers and senior officers, he will not be entitled to the above-mentioned pension commitment.
- Your Board of Directors has provided that in the event of the termination of his duties as Chief Executive Officer by means of non-renewal or removal from corporate office, Pierre-André de Chalendar will continue to be entitled to the Saint-Gobain stock options granted to him before such termination, unless the termination was due to gross or serious misconduct on his part.

Proposals and commitments made by Wendel, shareholder of Compagnie de Saint-Gobain

Shareholder: Wendel

At its meeting of March 20, 2008, your Board of Directors approved the proposals and commitments made by Wendel in its letter to Compagnie de Saint-Gobain on March 18, 2008. These proposals and commitments, which relate mainly to corporate governance, voting rights and the increase in Wendel's interest in the company, are reproduced in the 2007 annual report, under the section entitled "Shareholders".

Agreements and commitments approved in prior years which remained in force during the year

Pursuant to the French Commercial Code, we were informed that the following agreements and commitments approved in prior years remained in force during the past year.

Settlement agreement between Compagnie de Saint-Gobain and Christian Streiff dated May 30, 2005

Corporate officer: Christian Streiff

Pursuant to the settlement agreement entered into between Compagnie de Saint-Gobain and Christian Streiff and authorized by your Board of Directors at its meeting of May 3, 2005, in 2007 Compagnie de Saint-Gobain paid Christian Streiff €0.3 million in respect of the non-competition indemnity.

Agreements between Compagnie de Saint-Gobain and BNP Paribas relating to the financing of the public tender offer for British Plaster Board

Corporate officer: Michel Pébereau

In 2007, BNP Paribas received a total amount of €0.6 million in commitment and agent fees from Compagnie de Saint-Gobain in respect of the six agreements entered into between the two companies and authorized by your Board of Directors at its meeting of July 21, 2005. This sum includes the amounts paid by BNP Paribas to the banks which took part in the loan syndication.

Acquisition by Saint-Gobain Group of an additional interest in Hankuk Glass Industries (HGI) in April 2005

Corporate officer: Sehoon Lee

At its meeting of March 24, 2005, your Board of Directors authorized a call option in favor of its subsidiary Sofiag and a put option in favor of the vendor, Cameleo Investments, which is owned by Mr. Sehoon and Mr. Seheon Lee, on the remaining share capital of NAI Holding which has a 34.5% interest in HGI. Cameleo Investments exercised the put option in April 2007 at a price of €78 million. In accordance with the agreements, €2.8 million was paid to Camelo Investments in 2007, representing the second half of the earn-out in respect of the capital gain realized by HGI on the sale of land in 2006. The agreements also provide for the payment of a further earn-out in the event that HGI realizes a capital gain on another identified plot of land. This earn-out will be equal to 34.5% of the post-tax amount of the capital gain realized.

We performed our procedures in accordance with professional guidelines applicable in France. These guidelines require us to perform procedures to verify that the information given to us agrees with the underlying documents.

Neuilly-sur-Seine and Paris La Défense, April 7, 2008

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG Audit
Division of KPMG S.A.

Pierre Coll | Rémi Didier | Jean Gatinaud | Jean-Paul Vellutini

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

Management report 2007

A year of strong growth, shaken by global financial turmoil whose aftershocks are still being felt

In 2007 the world economy expanded at a robust pace for the fourth year running, with growth reaching almost 5%. However, this overall positive picture masks contrasting performances over the course of the year. In second-half 2007 a plunge in the US housing market combined with mortgage defaults by subprime borrowers triggered a global credit squeeze in the interbank markets that is still ongoing despite huge injections of liquidity from central banks.

Against this backdrop, worldwide economic activity was primarily boosted by further brisk growth in **emerging countries**, which came to 8.4% as a result of buoyant domestic demand and competitive foreign currency positioning in export markets. Latin America and Russia once again reaped the benefits of spiraling commodity prices while emerging Asian countries were lifted by vigorous growth in China and India. Eastern Europe also put in a solid performance, although momentum slackened somewhat towards the end of the year.

While on the one hand these achievements enabled the majority of the emerging players concerned to build up substantial trade surpluses and currency reserves, they also prompted a hike in commodity and food prices which was further exacerbated by geopolitical tension and speculation. By the end of the year, crude oil prices had reached more than USD 97 a barrel and inflation was on the rise in all regions of the world.

Despite a 17% slump in housing sales the **US** economy expanded by a respectable 2.2% on average in volume terms in 2007, even though it contracted strongly in the fourth quarter. Consumer spending levels held out against the slowdown in job creation rates, the fall-off in home loans and tougher lending conditions, buoyed by increases in salaries and household net worth positions which remained sound overall. Capital spending continued on its gradual upward trend but nevertheless remained at a low level.
US corporations faced the outbreak of the financial crisis with healthy profit margins and were able to enter new foreign markets on the back of the weak dollar.

In **Japan**, economic growth was more moderate than expected. Exports held firm but the anticipated upswing in household spending did not materialize and the region remained hampered by deflation.

The **eurozone** delivered another strong performance, with growth coming in at 2.6% as household income was boosted by a significant improvement in jobless rates which in turn spurred consumer spending. The region's capital expenditure tapered off only slightly, in line with the decrease in production capacity utilization rates.
In **Germany** exports and capital spending were once again the main growth drivers, with consumer spending proving slow to take over the reins. Meanwhile, as of spring 2007, France began to narrow its performance gap in relation to the eurozone as a whole, and year-on-year it reported satisfactory GDP growth of 1.9%. Consumer spending and investment were once again the main drivers of the economy in France. As a result of sustained increases in salary levels and social security benefits households had greater purchasing power and were able to increase their savings rate. On the supply side, capital expenditure continued to follow the same long-term trend. However, France's competitiveness abroad continued to decline, as reflected in its export figures.
Italy reported a 1.8% rise in GDP, chiefly fueled by domestic demand. Overall growth was also robust in **Spain**, coming in at 3.8%, but slowed over the year following the collapse of the residential real estate market.

With economic growth of close to 3% the **United Kingdom** delivered another good showing, propelled by strong domestic demand due to both consumer and capital spending, as well as a healthy housing market. Although the fourth quarter saw the beginning of a slowdown its impact is expected to be only gradual.

Construction industry

The residential real estate market in the **United States** continued its downward trend during 2007, with building permits and housing starts falling by almost 30%. Sales of

new single-family homes were down 32% and sales of existing property contracted by more than 20%. The current high level of housing inventory suggests that the market correction has not yet run its course, although the sharpest drop would appear to be over. At the end of 2007, several indicators signaled that the market had reached similar historic lows from which it has vigorously rebounded in the past.
For example, at 3.3%, the per-head construction rate was not far off the all-time low of 1991. In addition, the average price of a new build, expressed in years of available average income, only represented 6.4 years compared with 7.1 between 1963 and 2006. In addition, mortgage rates retreated markedly over the period and both the Federal Reserve and the US government – which planned to pump over USD 150 billion into the sector – still have room for maneuver.

The residential construction market in **Europe** remained at a peak. Over 2.5 million housing units were completed in western Europe – the same level as in 2006 – and over 220,000 were completed in eastern Europe, representing a year-on-year increase of around 15%. The sector shows signs of leveling off, however, due to a fall-off in transactions and a decline in new home purchases as well as a decrease in construction starts and issued building permits. The contraction is not expected to be uniform across the region. The real estate cycles of the different western European countries are expected to remain out of sync with one another in the coming year, unlike macroeconomic cycles.

In most **western European countries**, real estate prices rose by less than 5%, compared with double-digit increases in previous years. They even slipped 7% in Ireland, following a sharp drop in construction starts and deliveries of completed units.

Real estate prices in **Spain** edged up by 3% and accounted for over 30% of the housing units completed in western Europe during the year. 2007 marked the end of a decade-long boom for the sector which saw Spanish household debt reach over 125% of gross available income and a strong predominance of floating-rate mortgages. The market is currently undergoing a correction.

The housing market in **France** experienced flatter growth than in previous periods. At end-October, before factoring in the economic context that affected year-end statistics, construction starts for the first ten months of 2007 were on a par with 2006, and building permits were slightly down year-on-year as were sales of new builds.

The construction industry in **Germany** was hit by the elimination of certain financial incentives for real estate investment. Altogether, new build authorizations had dropped by almost 30% at end-October – the month when the most recent statistics were released.

In **Italy**, the housing market dipped by around 3% but nevertheless remained strong, both for new builds and existing property.

Meanwhile, the real estate fever that had previously gripped the **United Kingdom** began to subside. The sector is expected to experience a soft landing that will be monitored by the Bank of England and whose duration and depth will depend on developments in the financial markets.

At the same time, the positive domestic trends in western European renovation markets continued, with several major economies reporting growth in this area including France, Italy and Spain.

In **Japan**, stricter building regulations for earthquake-resistant design weighed heavily on the housing market, although the sector is expected to recover as its fundamentals remain sound.

Industrial markets

Worldwide capital spending held firm in 2007, buoyed by brisk momentum in **emerging countries** which led the rise in global trade during the year. This growth in trade volumes was reflected in the high levels of both commodity prices (non-ferrous metals and industrial agricultural products) and dry cargo freight rates.

Capital spending levels in the **United States** and profit margins of industrial players are being carefully monitored as they will play a key role in helping to prop up the US economy going forward.

In both **China** and **India**, manufacturing output expanded by over 9%, although in India there are signs that growth is leveling off. Emerging countries in **eastern Europe** reported overall growth of 5%, but this favorable situation began to cloud over towards the end of the year.

Industrial growth in the **eurozone** tailed off in 2007, as demonstrated by lower production capacity utilization rates. **Germany's** manufacturing sector was powered by exports, despite the strong euro.

The above-described two-speed global economic developments can be clearly seen in trends for the automotive industry. Vehicle production in **Asia** remained extremely dynamic and Latin America reported a 12% increase. The **western European** automotive industry proved more resilient than expected and even managed to expand slightly on aggregate. On the other hand, vehicle production retreated 5% in the United States in the wake of the real estate crisis, the credit crunch and soaring petrol prices.

Another year of strong growth for the Saint-Gobain Group following on from the record performance in 2006

After its record earnings performance in 2006, the Group continued down the growth path in 2007 and once again outperformed its targets. At €43,421 million, net sales were up 5.8% at constant exchange rates and operating income climbed 11.4% to €4,108 million. Based on actual exchange rates, recurring net income jumped 24.2% to €2,114 million (excluding capital gains and losses, asset impairment charges and provisions for fines payable by the Flat Glass Sector).

Markets and economic backdrop

The Group's extremely solid performance included 5% organic growth, breaking down as 3.7 points for prices and 1.3 points for volumes. Operating margin was also up, increasing to 9.5% from 8.9%. In 2007 some 30% of total net sales and 40% of operating income were contributed by business relating to energy efficiency in the European housing market (Flat Glass, Insulation, Gypsum, Mortars and Building Distribution). The Packaging Sector also delivered a good showing, reporting 5.5% in organic growth. At the same time, free cash flow increased by a sharp 21.6% over the year to €1.4 billion (before the tax impact of capital gains and losses and asset impairment charges) and the Group further bolstered its sound financial structure.

These performances were achieved against the backdrop of extremely mixed market conditions and proactive implementation of the Group's business strategy. From a geographic perspective, strong momentum in emerging countries largely offset the full-year net impact of the sharp downturn in the US housing market. Meanwhile, Europe's operating context was generally healthy. The combination of several other factors also played a decisive role throughout the year, including (i) a seasonality impact during the first quarter as a result of favorable weather conditions; (ii) the end of Germany's economic rebound in the second quarter; and (iii) the continuing slide of the US dollar. The Group's strategy proved its worth in light of these developments. For example, it made 63 acquisitions in the housing sector, representing €1.6 billion in full-year net sales, excluding the acquisition of Maxit which is expected to reach completion in the first quarter of 2008. Conversely, the Group sold Saint-Gobain Desjonquères and its Reinforcements & Composites business. It also stepped up the pace of expansion in emerging countries and Asia, with net sales, operating income and capital expenditure increasing by 17%, 49% and 13% respectively in this region. Overall in 2007, emerging countries and Asia accounted for 16% of the Group's net sales and 19% of its operating income. Lastly, more than 90% of the near-6% increase in R&D expenditure was earmarked for Innovative Materials.

Operating results by sector

All of the Group's five business sectors contributed to the rise in operating results. Like-for-like growth was particularly high for Building Distribution (5.7%), Construction Products (2.5%), Innovative Materials (6.8%) and Packaging (5.5%).

The **Flat Glass Sector** was the Group's star performer, both in terms of net sales – which advanced 10.4% on a reported basis and 11.2% like-for-like – and operating income which surged 49.4%. There were three main underlying reasons for this achievement. First, sustained demand in the construction and automotive markets, in both Europe and emerging countries. Second, sales price increases within European building markets and for high value-added products, such as coated glass. And third, particularly strong growth in emerging countries and Asia which accounted for 35% of the sector's net sales in 2007 – up 17% year-on-year – and represented 53% of its capital outlay. In addition, a second float-line was launched in Mexico during the year.

In the **High-Performance Materials Sector**, the Ceramics, Plastics & Abrasives business delivered like-for-like growth of 4.5%, reflecting a robust level of global industrial demand, particularly in emerging countries and Asia, which accounted for 30% of the sector's overall net sales, up 8% year-on-year. Overall organic growth came in at just 2.2%, however, due to a 4.2% decline posted by the Reinforcements business, the bulk of which was divested in November 2007. On the other hand, the housing, energy and environment businesses – which accounted for approximately 30% of the sector's net sales – registered 8% growth. Altogether, the sector's reported net sales figure was down on 2006, after factoring in the currency impact and the effect of divested businesses, but its operating margin increased significantly year-on-year, to 12.3% from 10.1%. In addition, High-Performance Materials generated a high level of free cash flow.

Net sales for the **Construction Products Sector** edged up 2.2% on a reported basis and 2.5% like-for-like, thanks to sustained growth in demand for energy-efficient products in western Europe (6.4%) and emerging countries and Asia (24%). These products made up 17% of the sector's total sales. For Interior Solutions and Exterior Solutions this higher demand offset the 14% contraction in the US construction market. The Pipe division generated roughly 26% of its sales in emerging countries. Operating margin for the Construction Products Sector held up well despite the tougher operating context in 2007, standing at 11.8% compared with 12.7% in 2006.

Net sales posted by the **Building Distribution Sector** climbed 10.8% including the impact of acquisitions carried out in 2006 and 2007 and the effect of solid organic growth of 5.7%. The organic growth figure for the year was fueled by an extremely strong performance in the first half as a result of favorable weather conditions and an excellent showing from emerging countries, where net sales jumped more than 20% to top the one billion euro mark. Business momentum was also buoyant in the majority of western European countries, except for Germany. The main growth drivers in this region were Scandinavia, Spain, France and – to a lesser degree – the United Kingdom. The Group continued to consolidate its European positioning and widen its geographic reach, notably through the acquisition of Norandex in the United States. Overall, the sector posted double-digit growth in operating income (10.1%), and operating margin held firm at 5.7%.

The **Packaging Sector's** net sales climbed 2% on a reported basis and 5.5% like-for-like, adjusted for the impact of Calmar and Saint-Gobain Desjonquères which were divested in 2006 and 2007 respectively. Excluding the impact of these two divestments, the sector's profitability levels increased sharply on 2006, with operating income up 29% like-for-like, and operating margin gaining 2 points to reach 11.3% compared with 9.2% the previous year. The sector's excellent performance for the year – in terms of both volume and prices – was driven by robust demand in both Europe and emerging countries.

On a consolidated basis, the Group's net sales rose 4.4% on a reported basis and 5.8% at constant exchange rates. Changes in Group structure had a modest 0.7% positive effect as contributions from businesses acquired in 2007 (chiefly within the Building Distribution and Construction Products sectors) only slightly outweighed the impact of divestments, including Calmar, Desjonquères and the Reinforcements & Composites business. On a like-for-like basis, the Group's net sales climbed by €2,059 million or 5%.

A geographical analysis shows that like-for-like sales performances were mixed, with North America contracting 7.1% and accounting for 13% of the Group total, while the rest of the world kept up a steady pace of growth. France reported a 5.2% increase in net sales and accounted for 28% of the Group total and other western European countries posted a 6% rise, contributing 44% to the total. The year's best showing was from the emerging countries and Asia region, which posted organic growth of 16.5% and represented 15% of the Group's total net sales.

Overall operating income rose by €394 million, corresponding to an increase of 10.6%, or 11.4% at constant exchange rates. The Group's operating margin rose in both halves of the year with the full-year figure coming in at 9.5% (12% excluding the Building Distribution Sector), versus 8.9% in 2006 (10.9% excluding Building Distribution). Profitability improved in each major geographic area except for North America.

Several recurring and non-recurring factors affected the overall business income figure for the year, including non-operating income and expenses, disposal gains and losses and exceptional asset impairment charges. Net non-operating expenses totaled €984 million (€367 million in 2006) and included (i) €200 million in industrial restructuring costs (€272 million in 2006); (ii) €90 million for asbestos-related lawsuits filed against CertainTeed in the United States (€95 million in 2006); and (iii) €694 million in provisions set aside to cover two investigations launched by the European Commission concerning the Group's Flat Glass Sector (see page 71).

Disposal gains and losses and exceptional asset impairment charges amounted to a net €30 million compared with a negative €27 million in 2006. Gains on disposals of assets came to €394 million with the majority stemming from the divestment of Desjonquères. This amount was partially offset by the €364 million recorded for exceptional asset impairment charges, of which some €190 million related to the sale of the Reinforcements & Composites business. Including the impact of all of these items, business income retreated 5% to €3,156 million.

Net financial expense decreased 6.3% to €701 million from €748 million in 2006, primarily reflecting the reduction in the Group's average net debt during the year. In addition, the Group's exit from the worldwide tax consolidation regime *(Bénéfice Mondial)* led to a reduction to 31% from 35% in the tax rate applicable to recurring net income (excluding non-deductible non-recurring items such as the provisions for the Flat Glass Sector fines).

Excluding capital gains and losses, exceptional asset impairment charges and provisions for fines in the Flat Glass Sector, recurring net income advanced 24.2% to €2,114 million from €1,702 million in 2006. Based on the number of shares outstanding at December 31, 2007 recurring earnings per share was €5.65, up 22.3% on the €4.62 figure for 2006.

Net attributable income decreased 9.2% to €1,487 million, mainly due to the above-mentioned provisions to cover potential fines relating to the Flat Glass Sector. At €3.97, earnings per share was down 10.6% on 2006.

Capital expenditure levels remained high, rising 3.7% year-on-year to €2,273 million from €2,191 million, and representing 5.2% of sales. In line with its business strategy, the bulk of the Group's capital expenditure for the year was focused on emerging countries – which accounted for some 40% of acquisition spending – and on markets relating to energy efficiency, especially for the Flat Glass and Construction Products sectors which together represented over 50% of the total.

Excluding the impact of the provisions set aside for fines concerning the Flat Glass Sector, cash flow from operations rose 12.4% to €3,762 million. Before the tax impact of capital gains and losses and asset impairment charges, the figure came to €3,712 million, up 10% on the €3,374 million recorded in 2006. Free cash flow rose 28.8% to €1,489 million. Before the tax impact of capital gains and losses and asset impairment charges the increase represented 21.6% and the free cash flow figure was €1,439 million.

Investments in securities amounted to €965 million, including €582 million for Building Distribution with 53 acquisitions representing €1,304 million in full-year net sales, and €226 million for Construction Products. The acquisition of Maxit – announced in August 2007 – has not been included in these investments as the transaction did not reach completion until the first quarter of 2008.

Excluding the impact of the Maxit acquisition, net debt stood at €9,928 million at December 31, 2007, 14.4% lower than one year earlier. At December 31, 2007, 88% of the Group's debt was at fixed rates with an average maturity of five years. The gearing ratio was 65%, versus 80% at December 31, 2006.

Capital expenditure and investments in securities

Capital expenditure (excluding finance leases)

(in € millions)	2005	2006	**2007**
By sector and division			
Flat Glass	485	448	523
High-Performance Materials	271	225	238
Ceramics & Plastics and Abrasives	187	161	192
Reinforcements	84	64	46
Construction Products	355	844	830
Building Materials	102	142	133
Insulation	145	145	199
Gypsum	52	487	422
Pipe	56	70	76
Building Distribution	327	315	353
Packaging	305	335	309
Other	13	24	20
Group Total	**1,756**	**2,191**	**2,273**
By major geographic area			
France	536	485	536
Other western European countries	574	749	698
North America	256	363	368
Emerging countries and Asia	535	594	671
Group Total	**1,756**	**2,191**	**2,273**

Investments in securities

(in € millions)	Value of securities	Estimated full-year net sales
Acquisitions in 2007		
Flat Glass	19	16
High-Performance Materials	70	45
Construction Products	226	332
Building Distribution	582	1,304
Packaging	18	-
Holding companies	50	-
TOTAL acquisitions	**965**	**1,697**
of which in emerging countries	**139**	**132**
Acquisitions in 2006		
Flat Glass	14	-
High-Performance Materials	6	4
Construction Products	142	222
Building Distribution	355	630
Packaging	67	15
TOTAL acquisitions	**584**	**871**
of which in emerging countries	**208**	**238**
Acquisitions in 2005		
Flat Glass	161	143
High-Performance Materials	48	62
Construction Products	6,051	3,773
of which BPB	*5,929*	*3,610*
Building Distribution	628	1,245
Packaging	98	120
Holding companies	5	-
TOTAL acquisitions	**6,991**	**5,343**
of which in emerging countries	**408**	**482**

1 Based on a comparable Group structure and constant exchange rates.

Flat Glass

Contribution to the Group

(in %)	2007	2006	2005
% of net sales	**13**	12	13
% of operating income	**17**	13	16
% of cash flow from operations	**18**	16	19

Key consolidated data

(in € millions)	2007	2006	2005
Net sales	**5,611**	5,083	4,680
Operating income	**717**	480	453
Cash flow from operations	**677**	529	528
Capital expenditure*	**523**	448	485

Sales data by sector include internal sales.
* Excluding finance leases.

The Flat Glass Sector makes, processes and sells glass and glazing products for two main markets: the building and automotive industries. Its three main business lines are flat glass manufacturing, processing and distribution of glass for the building industry, and production of automotive glass. The sector also offers a range of specialty products, including glass for home appliances, fireproof glass, nuclear safety glass and glass for the solar energy market.

Flat glass is manufactured in large industrial units known as float-glass lines, which produce everything from basic grades (in clear and colored varieties) through to more sophisticated types with metallic oxides or other special coatings for use in a wide range of applications, such as thermal insulation and sun control.

Saint-Gobain Flat Glass operates in 40 countries and boasts 33 float-lines, of which seven are jointly owned. In addition, a new float-line is currently under construction in Poland.

The sector's mainstay product range is rounded out by specialty glass for the building industry, including colored, high-light transmitting and embossed glass, and glass ceramics. Eurokera, a joint venture set up with Corning Glass Works, is the joint world leader in ceramic glass hobs.

Over a third of the glass produced by Saint-Gobain's Flat Glass plants is further processed before being sold, notably for the building and automotive industries.

The sector's processing business for the building industry is conducted through a network of downstream processing and distribution companies covering a huge spectrum of applications, from structural glazing and wall facings for major construction projects and urban amenities through to glazing products for industrial carpentry, furniture, bathroom fixtures and interior decoration. All of these applications have proven ideal for major innovations, such as low-emission, solar-control, electrochrome, electrically-controlled, shatterproof and fireproof glass.

In addition, the sector operates in specialty businesses that are well positioned in their respective markets including glass for oven doors and refrigerators (Euroveder), industrial optics and industrial refrigeration (Sovis).

The Flat Glass Sector is also a manufacturer of automobile parts. Through its Sekurit division, it supplies major European and global car manufacturers with windshields, rear windows, side windows, glass sun-roofs and other ready-to-assemble modules. Automotive parts are complex, sophisticated products, featuring advanced technologies in toughening, lamination, tinting, and special high-performance coatings. The pace of change in this field is fast-moving, to keep up with consumer expectations of ever-greater safety and comfort through increased visibility, insulation and sound-proofing. In addition to automotive markets, the aeronautics and mass

Float line, manufacture of flat glass.

transit industries are further significant end-use markets for the sector's product expertise.

In order to meet the needs of these various markets, the sector has been structured into the following main worldwide divisions:

- Saint-Gobain Glass for basic products;
- Les Vitrages de Saint-Gobain for processing and distributing flat glass for the building industry;
- Saint-Gobain Sekurit for the automotive and mass transit markets.

Operations in 2007

Net sales for the Flat Glass Sector rose 10.4% in 2007 to €5.6 billion. On a like-for-like basis the increase was 11.2%, reflecting the rise in the Brazilian real and the Korean won.

Worldwide float glass sales advanced 15% year-on-year, with growth of 16% in Europe and 12% in South America and Asia. All of the sector's geographic markets experienced strong demand from the building industry, particularly within Europe. This enabled the sector to make up for lower sales prices, which in Europe stood at the same levels as in 2001 in actual value terms. Sales growth was particularly strong for high value-added products such as coated glass for which the available capacity was effectively utilized.

Les Vitrages de Saint-Gobain, which specializes in processed flat glass products for the building industry and specialty products, reported a healthy rise in net sales, fueled by higher business volumes and a favorable product mix effect. Demand in this business is increasingly focused on double glazing made from coated glass, as well as triple glazing, safety and fireproof glass. In addition, the market for glass for the solar energy industry is a high-growth area.

Net sales generated by Sekurit also rose strongly in 2007. Growth in demand in the automotive market was particularly high in Asia and South America, while the advance in Europe was spurred by the success of automobile models incorporating expansive high-performance glazing.
The transport business (glazing for planes, trains, coaches and buses) reported an increase in overall net sales, despite an unfavorable US dollar/euro exchange rate which affected the aeronautical business.

The Autover line, which specializes in the distribution of automotive spares, experienced the same pace of growth as the original equipment businesses.

The Flat Glass Sector's sharp increase in operating income was attributable to solid momentum in the building market, notably in Europe, which helped make up for lower sales prices. It also reflects productivity gains achieved within (i) the float lines (due to restructurings in South Korea and reductions in energy consumption); (ii) the companies specialized in processing products for the building industry (streamlining measures implemented in 2006 and plant specialization); and (iii) Sekurit (due to the closure of a plant in South Korea and improved manufacturing performance).

Outlook for 2008

- Costs (particularly for energy) are expected to rise steeply and the increases will have to be passed on to sales prices.
- The capacity increases achieved in 2007 and planned for 2008, combined with the launch of a new float line in Poland, a new coater facility in Romania, and extended capacity for Sekurit in Brazil, India and Poland will enable the Flat Glass Sector to partner its customers across the globe.
- The cost reduction program will continue to be a priority, notably through the ramp-up of the World Class Manufacturing program.

Businesses and products	Main applications	Key competitors	Competitive ranking*
Basic glass products **Flat glass**	• Plain & tinted glass, coated glass	• NSG (Japan) • Asahi (Japan) • Guardian (US) • P.P.G. (US) • Cardinal (US)	
Processing	• Glass for construction, interior building solutions, furniture & building industries		• No. 1 in Europe • No. 3 worldwide
Automotive glass	• Clear and safety products for the automotive industry and glass for replacement parts • Aeronautical & mass transit industries		• No. 1 in Europe • No. 2 worldwide
Specialty glass	• Fireproof glass, nuclear safety glass, industrial optical systems, household appliances, industrial refrigeration and photovoltaic glass	• Schott (Germany)	• Leader or joint leader worldwide (depending on the market)

* Source: Saint-Gobain.

High-Performance Materials (HPM)

Contribution to the Group

(in %)	2007	2006	2005
% of net sales	**11**	12	14
% of operating income	**14**	13	18
% of cash flow from operations	**13**	13	16

Key consolidated data

(in € millions)	2007	2006	2005
Net sales	**4,752**	4,938	4,880
Operating income	**585**	500	511
Cash flow from operations	**487**	432	446
Capital expenditure*	**238**	225	271

Sales data by sector include internal sales.
* Excluding finance leases.

The Saint-Gobain High-Performance Materials Sector brings high value-added solutions to complex industry and construction problems, harnessing prime expertise in three main types of materials: mineral ceramics (though the Ceramics, Pellets & Powders, Abrasives and Crystals businesses), performance polymers (Performance Plastics) and glass textiles (Textile Solutions). In addition, High-Performance Materials develops advanced know-how in technologies that cut across these businesses, to design innovative composites and make the best possible use of complementary material characteristics.

With its unique portfolio of materials and technologies, Saint-Gobain High-Performance Materials can make a decisive contribution to efforts addressing today's considerable construction and energy challenges. For example, in photovoltaic applications it supplies silicon substrate cutting tools and has developed plastic films for making flexible solar modules.

Many of the sector's solutions are developed cooperatively with clients, for the closest possible match to actual needs.

High-Performance Materials allocates a high proportion of its revenues to research and development (close to 4% of net sales in 2007). R&D spending is consistent with the immense potential of these types of material to solve major problems in construction, energy and environmental protection.

Three of the most significant R&D projects are:

- *Fuel cells for decentralized electricity generation.* Electricity for domestic needs is produced from natural gas using fuel-cell technology driven by the advanced ceramics expertise of Saint-Gobain High-Performance Materials.
- *Diesel particulate filters for lower vehicle pollutant emissions.* Silicon carbide, one of the sector's key materials, is used to meet exacting specifications for particulate filters, which will become compulsory on diesel engines under European standards in 2010.
- *Composite textiles and films for roofing.* Performance plastics and glass textiles are combined to produce new films and membranes for roofing applications, bringing longer service life, better insulation and self-cleaning properties.

In 2007, Saint-Gobain opened a new R&D center in China (Shanghai), in addition to those in the US (Boston) and France (Cavaillon). Saint-Gobain's High-Performance Materials also fields R&D teams at many of its major industrial facilities as part of wide-reaching endeavors to harness the full power of innovation across a highly efficient production system that extends to some 35 countries worldwide.

Four High-Performance Materials businesses deal with *ceramic materials:*

Pellets & Powders: The Pellets & Powders business comes just after the production of mineral raw materials (silica and zirconium sands and bauxite, mainly) in the value chain. High-Performance Materials is the world number one in the processing (purification, crushing, melting and sintering) of these materials. It sells high-value suspensions and powders for the ceramics industry (Silicon Carbide business), aluminum oxide and zirconium oxide abrasive grains, and finished products. Typical products include pigment powders for ceramic tiles in the construction industry, and proppants for enhancing the productivity of hydrocarbon wells in the petroleum industry. In 2007, the Pellets & Powders business introduced a new line of abrasive grains specially designed for cutting slabs of photovoltaic cells.

Ceramics: Saint-Gobain is the world number one in ceramics[1], providing many different industries with products that use the remarkable properties of these high-performance

1 - Source: Saint-Gobain.

materials: exceptional mechanical strength, hardness, heat resistance, controlled porosity, and light weight. Saint-Gobain ceramics appear in diesel engine particulate filters for the automotive industry, for example, and Saint-Gobain also provides advanced refractory ceramics for glass furnaces. Highly sophisticated refractory ceramics are needed for furnaces making flat screens, and this was a major force behind the strong growth achieved by the Ceramics business in 2007. Refractory ceramics are also used in the steel industry, which enjoyed robust momentum in 2007. Outside these traditional sectors, in which Saint-Gobain ranks top worldwide, it also runs ambitious development projects addressing emerging challenges.

Abrasives: Saint-Gobain is the world number one in abrasives[1], largely because of its prime expertise in the ceramic grains on which abrasive products are based. Saint-Gobain covers the whole spectrum of the abrasives market, with no exceptions, providing solutions for all process stages: slabbing, cutting, polishing, grinding and surface-finishing. Abrasive products address a huge range of applications in very many sectors: construction (from rough cutting of concrete walls and floors to sanding of wooden floors and polishing for decorative finishes), heavy industry (in steelworks, paper mills, etc.), and manufacturing and high-tech industries (automotive, aerospace, electronics). Innovation is a key factor in this business, driving the development of products that are ever more efficient and reliable, easier to use and longer lasting. In 2007, a new facility was built at Shuzhou in China, to strengthen Saint-Gobain's position on the markets for applied abrasives for industry and construction, two sectors experiencing double-digit growth in China.

Crystals: Many modern technologies use the special properties (optoelectronic, in the main) of crystalline materials. For example, crystals are used for making electroluminescent diodes (LEDs), and the Crystals business is actively involved in the development of tomorrow's energy-efficient LED lighting solutions. In 2007, Saint-Gobain won major contracts in the security sector, for the scintillation crystals used in X-ray gates, and a new line of crystals has been developed for advanced medical imaging applications capable of earlier screening.

Performance Plastics: Saint-Gobain High-Performance Materials has developed substantial technological know-how in the development of polymers whose remarkable properties (high-temperature resistance, chemical stability and purity, and special mechanical and surface properties) open up new applications in industry (automotive, aerospace, healthcare) and construction. For example, architectural membranes in fluoropolymer-coated glass fabric prove highly successful in major construction projects, for their robustness, light weight, ultra-violet resistance, soil resistance, and acoustic correction capabilities. The Performance Plastics business is broken down into three units: Composites (films, foams and coated fabrics for construction and industry), Bearings & Gaskets (for the automotive and aerospace industries), and Fluid Control Systems (for the healthcare and electronics industries). In 2007, Performance Plastics registered 2.5% organic growth on a like-for-like basis.

Textile Solutions: The Textile Solutions business makes and sells glass strands and textiles, chiefly for construction applications. Products address some of the most buoyant segments of the construction market, with highly successful solutions such as glass textiles for façade insulation, a technique increasingly used in Europe for renovation work and new buildings. One example of recent development work is the range of paintable glass textiles, a simple and elegant interior decoration solution that Saint-Gobain has further enhanced with an acoustic correction function.

Operations in 2007

The High-Performance Materials Sector once again demonstrated its solid fundamentals in 2007, despite the economic downturn in the second half of the year and a high basis of comparison with 2006. Profitability remained high in 2007, with operating margin rising 2.2 points to 12.3%, or 13% excluding the Reinforcements & Composites business.

On November 1, 2007 Saint-Gobain sold its Reinforcements & Composites business to Owens Corning. This divestment – which was initially scheduled to take place in two stages including setting up a 60%-40% joint venture with Owens Corning – was speeded up in July and instead took the form of a single-stage outright sale.

Excluding Reinforcements & Composites the sector reported a 2.8% like-for-like increase in net sales, achieved despite the less propitious operating backdrop in the second half of the year. The *Ceramics, Plastics & Abrasives* business reported steady growth of 4.5% on a like-for-like basis.

During the year the High-Performance Materials Sector carried out four acquisitions: Alpine Research Optics in the United States for the Crystals business; Consolidated Polymer Technologies, also based in the United States; IFK-Isofluor in Germany which now forms part of the Performance Plastics business; and Abrasivos Argentinos in Argentina for the Abrasives business. This latter acquisition is, however, still subject to regulatory approval by the relevant anti-trust authorities.

1 - Source: Saint-Gobain.

The sector's business strategy in 2007 was focused on two main objectives:

- **Accelerating growth.** In order to achieve this goal, the sector (i) increased its production capacity, especially in emerging countries which accounted for around 40% of the annual capital expenditure program; (ii) added 4% to R&D expenditure; and (iii) carried out targeted acquisitions in high-growth markets;
- **Concentrating the sector's expansion on the housing, energy and environmental markets.** The High-Performance Materials sector sought to leverage the Group's leadership position in the housing business and to strengthen it by offering innovative solutions that meet demanding market requirements. To achieve this aim it drew on the capacities of its R&D teams and capitalized on its strategic fit with the Building Distribution and Construction Products sectors.

Outlook for 2008

The outlook for the High-Performance Materials Sector is mixed for 2008, both in terms of its markets and geographic locations.

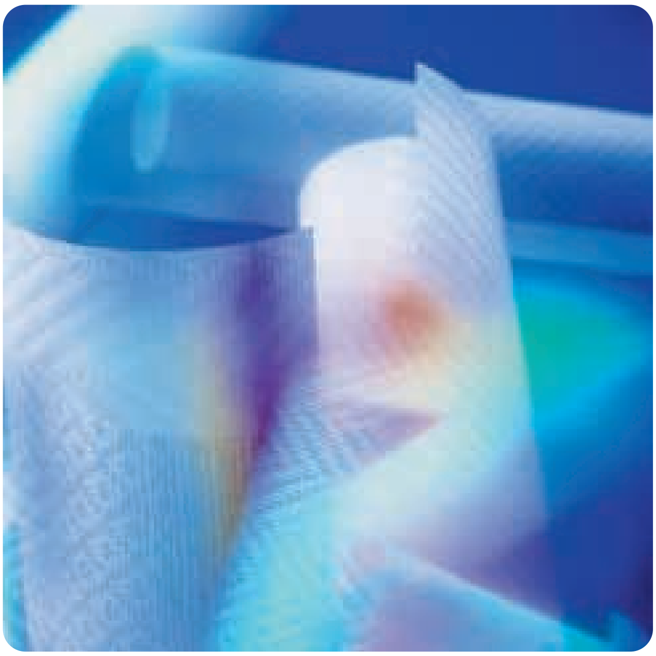
While construction markets are currently facing difficult conditions in North America the outlook for industrial markets is still favorable, particularly for the sector's niche businesses. Thanks to the portfolio adjustments made in the wake of the difficulties experienced in 2000, it can swiftly respond to market dynamics and is well positioned in the most fast-moving segments.

The businesses that are potentially the most exposed to an economic slowdown are Abrasives and Textile Solutions. However, their strong European positioning and robust expansion in emerging countries – notably China and India for Abrasives – should help them hold firm.

For several years the Performance Plastics business has followed a steady growth trajectory as a result of its leading market position and innovation capabilities. Currently, the housing market offers numerous growth opportunities and several projects aimed at developing innovative solutions are already underway, concerning roofing film and barriers. Some of these projects are being carried out in conjunction with the Textile Solutions division due to the strategic fit between the two businesses.

In Ceramics, flat screens will continue to be a strong growth driver for the sector in 2008 and other promising new avenues will also be tapped, such as the design of new refractory ceramics for use in the gasification of coal. Saint-Gobain's High-Performance Materials Sector intends to play an active role in all of these new developments in the coming year.

Novelio® paintable glass textile.



Businesses and products	Main applications	Key competitors	Competitive ranking*
Ceramics			
Pellets & powders	• Raw materials for abrasives & ceramics industries • Mineral pigments for domestic ceramics • Catalyst substrates for the petrochemical industry • Proppants for the petroleum industry • Ceramic balls for micro-grinding applications	• Carbo Ceramics (US) • Imerys (France) • Volzhsky (Russia) • Fujimi (Japan) • Washington Mills (US)	• No. 1 worldwide in silicon carbide • No. 1 worldwide in zirconium-based abrasives • No. 1 worldwide in ceramic balls • No. 2 worldwide in proppants
Refractories	• Ceramic blocks for the manufacture of industrial furnaces for glass, ceramic, metallurgy & energy applications (including special glass for LCD & PDP screens) • Armor plating for the defense industry	• Asahi (Japan) • Cookson Vesuvius (UK)	• No. 1 worldwide in refractories for glass & non-ferrous metal industries
Advanced ceramics	• Fine ceramics for the automotive, home appliance, aeronautics, aerospatial, electronics, nuclear, petroleum & petrochemical industries	• General Electric (US) • Ceradyne (US) • Kyocera (Japan) • CeramTec (Germany) • Asahi (Japan)	• No. 1 or No. 2 worldwide, depending on the application
Diesel particulate filters	• Pollution-control filters to reduce soot & nitrogen oxide emissions from diesel vehicles	• Ibiden (Japan) • NGK (Japan) • Corning (US)	• No. 2 or No. 3 worldwide
Crystals	• Sensors for security and safety, oil prospecting & medical imaging applications • Substrates, components & equipment for the semi-conductor, light-emitting diode & optic industries	• Kyocera (Japan) • II-VI (US) • Heraeus (Germany)	• No. 1 worldwide in scintillation systems • No. 2 or 3 worldwide in substrates for LEDs
Performance Plastics			
Bearings & gaskets	• Friction parts for automotive, aeronautics and industrial machinery applications	• Trelleborg (Sweden) • Glacier Garlock (US)	• No. 1 worldwide in bearings for automotive applications
Fluid control systems	• Pipes & fittings for fluid control systems in agro-food, bio-medical, automotive & semiconductor industries	• Entegris (US) • Stedim (France) • Parker Hannifin (US) • Kuriyama (Japan)	• No. 2 worldwide in specialty pipes
Films, foams & coated textiles	• Adhesive coatings, architectural units, radomes, protective gear, cooking surfaces, composite material molds, metal-glass seals for the automotive and construction industries	• 3M (US) • Rogers (US) • DuPont (US) • Nitto Denko (Japan)	• No. 1 worldwide in fluoro-polymer textile coatings
Reinforcements & Composites			
Glass strands	• Cut strands, mats, continuous strands & rovings for reinforcement of composite materials	• Owens Corning (US) • P.P.G. (US) • Nippon Electric Glass (Japan) • Jushi, Taishan, CPIC (China)	• Joint leader worldwide in glass strands
Composite material reinforcement textiles	• Composite material reinforcement textiles in glass kevlar or carbon strands for automotive, mass transport, construction, leisure and capital goods, electrical & electronics industries	• Owens Corning (US) • Hexcel (US)	• No. 1 worldwide in reinforcement textiles for wind turbine blades
Textile Solutions			
Glass threads	• Glass thread on reels for the textile industry	• AGY (US) • CPIC (China) • P.P.G. (US)	• No. 1 worldwide in textiles for the construction industry
Reinforcement textiles for construction and manufacturing	• Reinforcements for construction sector (wall facing reinforcement, paintable textiles, mosquito netting, strengtheners for roof waterproofing systems, geotextiles)	• Johns Manville (US) • Phifer (US) • Vitrulan (Germany)	• No. 1 worldwide in paintable textiles
Abrasives			
Grinding tools	• Roughing, grinding and sharpening of materials and tools in aeronautics, automotive, metal processing, steelworks & bearings industries	• Carbo plc (UK) • Noritake (Japan) • Tyrolit (Austria)	• World leader in all abrasive businesses
Thin grinding wheels	• Cutting, deburring, metal processing, maintenance, energy, steelworks, construction and DIY applications	• SAIT (Italy, US) • Tyrolit (Austria) • Comet (Slovenia)	
Coated abrasives	• Surface treatment and sanding applications in aeronautics, automotive, furniture, hand tools, steelworks, jewelry, watchmaking & biomedical industries	• 3 M (US) • Hermes (Germany) • Klingspor (Germany) • SIA (Switzerland)	
Superabrasives	• Precision tools for aeronautics, automotive bearings, cutting tools, electronics & composite materials industries	• Asahi (Japan) • Diamant Boart (Belgium) • Noritake (Japan) • Wendt Boart (Belgium)	

* Source: Saint-Gobain.

Construction Products

Contribution to the Group

(in %)	2007	2006	2005
% of net sales	**26**	26	19
% of operating income	**32**	37	22
% of cash flow from operations	**28**	31	20

Key consolidated data

(in € millions)	2007	2006	2005*
Net sales	**11,112**	10,876	6,694
Operating income	**1,313**	1,376	614
Cash flow from operations	**1,060**	1,048	559
Capital expenditure**	**830**	844	355

Sales data by sector include internal sales.
* BPB was fully consolidated from December 1, 2005.
** Excluding finance leases.

The Construction Products Sector comprises the Gypsum, Insulation, Exterior Fittings, Pipe and Industrial Mortars divisions. The richness and diversity of these businesses allows the sector to offer **interior and exterior building solutions** tailored to each customer's needs and factoring in a wide range of requirements including acoustic and thermal insulation, easy installation, stylish appearance, structural protection and water-resistant properties. The success of the Construction Products Sector is grounded in its exceptional strengths – highly professional people, widely-recognized brands, and solid strategic positions in its markets.

All of the sector's businesses pursued their expansion strategy during 2007. Despite a fall-off in business in the United States, the sector reported an overall year-on-year increase in net sales, with eastern Europe delivering a particularly strong performance. Emerging countries – which now represent over 22% of the sector's net sales – largely helped to mitigate the impact of the economic downturn in North America.
In addition, the Symbiosis project, set up at the time of the BPB acquisition with a view to fostering synergies, gave rise to €112 million in efficiency gains, outstripping targets.

Although the general economic environment will be more unsettled in 2008 the Construction Products Sector has a number of strengths to draw on including the start-up of new high-performing production facilities and the contribution of newly-acquired companies, particularly Maxit which the Group purchased in March 2008.

With growth in emerging countries coming in at over 20% and equipped with an exceptional portfolio of energy-efficient products, the sector is well poised to continue down the growth track in the year ahead.

INTERIOR SOLUTIONS

Interior Solutions – comprising the Insulation and Gypsum divisions – reported a 2.9% rise in like-for-like net sales in 2007. Despite more challenging market conditions due to the contraction in the US construction market, operating margin held firm thanks to a robust performance turned in by Europe combined with strong momentum in emerging countries which accounted for 14.8% of net sales.

Insulation

The operations of the Insulation division include glass wool (TEL process), rock wool, insulation foams, and soundproof ceilings.

Drawing on its global Isover brand as well as CertainTeed in the United States, the Insulation division seeks to deliver ever-more effective insulation solutions with a view to enhancing the comfort of buildings and achieving energy efficiency.

Insulation products are sold as rolls, panels, loose-wool and in shell formats. They are mainly designed for the new construction and renovation markets, for fitting on roofs and walls and under flooring, to reduce energy consumption and noise in order to provide maximum comfort. Thermal insulation and soundproofing standards in the construction industry have been stepped up in a large number of countries, providing a solid basis for developing this kind of application.

In addition to these uses in the construction industry, a portion of sales derives from technical insulation for some of the most complex industrial facilities, or niche markets such as soil-less (hydroponic) cultivation.

The soundproof ceilings and metal frames niche market is also proving a strong avenue for growth, in which Saint-Gobain's technical expertise is highly appreciated by professional customers, thanks to banners such as Ecophon, Celotex, Eurocoustic, API, Gabelex and Plafometal. The ceilings business consolidated its positions in 2007 with the addition of plaster ceilings offerings provided under the Gyptone, Casoprano, Decogips, Gyprex and Rigitone banners. Backed by its complementary specialist brands, this business now has a comprehensive range of high-performing solutions in over 50 countries.

Backed by 11,000 employees working across the globe, the division insulates one in three houses in Europe and one in five houses in the United States. It ranks number one worldwide in mineral-wool insulation products[1], and has operations in all five continents, either as a direct producer or via its licensees.

In industrialized countries where it enjoys long-standing leadership, the division is developing new high value-added systems. Isover has gained strong footholds across the board in emerging markets for all applications, successfully tapping the growth opportunities generated by the rising demand for comfort, especially in the face of tough climatic conditions. The extension to the Yegorievsk and Gliwice plants in Russia and Poland respectively, as well as the new industrial facility in Ploiesti, Romania, are the tangible results of this policy.

The global strategy adopted by the Insulation division is aimed at:

- bolstering Isover's leadership in mineral-fiber insulation through technological innovation and the development of cutting-edge systems and products, particularly for the renovation market;
- establishing a strong local presence underpinned by technical, commercial and marketing expertise, enabling teams to respond promptly to market needs;
- stepping up expansion in emerging countries, particularly in central Europe, Russia, Ukraine and the Baltic states;
- actively contributing to the Group's sustainable development drive, by enhancing the environmental performance of its products and manufacturing facilities;
- promoting the use of mineral-wool insulation as part of environmental protection measures and sustainable building design.

Operations in 2007

2007 was another strong year for the Insulation division which achieved growth in both net sales and operating income despite the difficulties encountered in the United States and capacity shortages in Europe for part of the year.

New companies were successfully integrated into the Group in Turkey and South Africa and an additional acquisition was made in Colombia towards the end of the year.

Growth was sustained in all European markets except Germany which experienced a downturn following its recovery in 2006. Thanks to the new glass-wool production facility set up in the Moscow region and the start-up of a new glass-wool production line in Romania, the Insulation division was able to fully reap the benefits of strong growth in eastern European markets, including Russia, Poland, Ukraine, the Baltic states and Romania.

Demand plummeted in the United States as a result of the major crisis in the construction industry which led to a drop in volumes sold and a decline in sales prices. The division temporarily shut down certain production lines in order to adapt to this new operating context, but this was not sufficient to prevent a sharp drop in earnings in the region.

Europe, on the other hand, posted a significant increase in operating income driven by the combined effect of higher sales prices and volumes which offset the impact of spiraling commodities, energy and transport costs.

Capital expenditure was up considerably on 2006, and mainly related to:

- a new glass-wool production plant in Chemillé (France);
- a glass-wool production line in Azuqueca (Spain);
- a glass-wool production line in Ploiesti (Romania);
- a second glass-wool production line in Gliwice (Poland);
- a second glass-wool production line in Yegorievsk (Russia);
- adapting equipment to enhance productivity and production capacity;
- honing environmental performance.

Outlook for 2008

The year 2008 looks propitious for the European insulation market – particularly due to new energy-efficiency standards and a positive outlook for the renovation market – whereas the sharp fall-off in housing starts in the US is expected to once again weigh on CertainTeed's sales. Overall, sales for the Insulation division are set to continue on an upward trend as new capacities come on stream in Europe.

The division intends to offset the impact of higher production costs and declining margins in the United States by achieving higher sales volumes and raising prices in Europe, as well as by making further productivity gains.

Gypsum

Saint-Gobain's Gypsum division is the world's leading supplier of plasterboards and plaster[1]. Its operations involve extracting and processing gypsum – an abundant mineral found in the earth's crust – info a wide range of plaster-based products used for construction and decoration.

The division offers a comprehensive array of plaster-based solutions for partitions, wall coverings, ceilings and floors designed with a view to meeting technical specifications in terms of fire and damp resistance and thermal and acoustic insulation, as well as customer requirements for comfort and interior aesthetics.

The division's aim is to become the preferred supplier for innovative and high-performance solutions for interior building and lightweight construction.

With over 13,000 employees and 150 production sites throughout the world, the Gypsum division offers its customers easy-installation systems that respect increasingly stringent technological standards for energy efficiency while meeting their needs in terms of safety and comfort.

Backed by strong brand names such as Placo®, Gyproc®, Rigips® and CertainTeed®), the division's traditional-style and lightweight plaster products enjoy a significant market share in both developed and emerging countries.

1 - Source: Saint-Gobain.

The division currently has 75 quarries and based on current extraction rates, identified gypsum reserves represent several decades of production. It also uses a large amount of synthetic gypsum and has set up a plasterboard recycling system.

The Gypsum division has a clear-cut growth strategy underpinned by the following objectives:

- achieve profitable sales growth through investment in both equipment and resources to bolster its worldwide leadership position;
- focus on research to drive product development and showcase high value-added systems;
- set up production facilities in emerging countries to mirror expansion in the construction market, particularly in eastern Europe, northern Africa and Asia;
- continue to implement programs to enhance the performance of manufacturing infrastructure, cut costs and reduce energy consumption;
- generate further synergies with the Insulation and Industrial Mortars divisions within the Construction Products Sector.

Operations in 2007

Following two years of outstanding results, sales growth for the Gypsum division slowed in 2007, particularly as a result of the crisis in the North American construction industry. However, the impact of the downturn in the United States was offset by a significant rise in net sales reported in Europe with both prices and volumes increasing in the division's main markets. Spain, the United Kingdom and north-eastern Europe were the region's main growth drivers in 2007.

Momentum was robust once again in emerging countries other than eastern Europe, with sales climbing steeply year-on-year. South Africa turned in a stellar performance and Asia also reported a strong showing.

Additional production facilities were brought on stream during the year in the United Kingdom, Spain and China as part of the Group's program to increase output capacity. At the same time, the Gypsum division acquired three plaster companies in Sweden and Algeria and a plasterboard plant in Vietnam in order to strengthen its positions and boost capacity in high-growth regions.

Outlook for 2008

Despite signs of a slow down in the European residential construction market and continued difficult conditions in the United States, the Group expects the Gypsum division to report another year of growth in 2008.

The European renovation and non-residential construction markets look set to continue on an upward trajectory and further sales increases are expected for gypsum-based products and systems in emerging countries.

One of the division's main focuses for 2008 will be to enhance its product offering in order to raise its market penetration rate for plasterboard. It will also pursue measures to cut production costs, notably by opening four new plants in Hungary, India, the United States and France.

EXTERIOR SOLUTIONS

Exterior Solutions – which encompasses the Exterior Fittings, Industrial Mortars and Pipe divisions – reported a 2.1% rise in net sales in 2007. Despite the slump in demand in the US construction market which hit both volumes and prices during the year, the Industrial Mortars division reported sustained organic growth and momentum remained strong in the Pipe division's markets. Exterior Solutions ended the year with operating margin of 7.4%.

Exterior Fittings

Through CertainTeed, the Exterior Fittings division enjoys a leading position in the US roofing and wall facing markets[1]. It proposes a full range of products for the US residential construction market including top-of-the-line asphalt roofing shingles in a wide range of styles and colors, along with PVC and polypropylene cladding, and fiber cement weatherboarding. These products are renowned for their easy maintenance, smart appearance and weather resistance. Another CertainTeed product line covers full outdoor-equipment solutions for individual homes including PVC fencing.

The Exterior Fittings division also manufactures vinyl pipes and fittings for water supply and drainage, and pipe systems for industrial, mining, irrigation and pressurized drilling applications.

The global strategy adopted by the Exterior Fittings division is aimed at:

- strengthening Certain Teed's leadership position in the US market;
- achieving preferred-supplier status for innovative construction products and systems;
- broadening its product range and developing new distribution channels;
- actively contributing to sustainable development by enhancing the environmental profile of its plants and products.

Operations in 2007

The downturn in the US construction market that began in 2006 continued into 2007 as the credit crunch hit and numerous economic indicators reached a ten-year low.

The drop in demand in both the construction and renovation markets led to a reduction in sales volumes and kept up price pressure which in turn eroded margins. In view of this situation CertainTeed closed an asphalt roofing shingles plant and a PVC cladding plant during the year. The company also sold its PVC doors and windows business and ceased production of composite flooring.

In the third quarter of 2007 Saint-Gobain purchased Norandex from Owens Corning, thus acquiring three PVC cladding

1 - Source: Saint-Gobain.

production plants in the United States and Canada. These three plants were integrated into the Exterior Fittings division and will enable the Group to meet sustained demand in the Canadian market which is a major growth sector for this business.

Outlook for 2008

Lackluster conditions in the residential construction market in the United States are expected to continue into 2008 – particularly for housing starts – which will have a significant adverse impact on all Exterior Fittings businesses.

The whole sector will see reductions in volumes as well as sustained sales price pressure while further hikes are expected in energy, commodities and transport costs. In the face of these challenges the Exterior Fittings division has introduced several cost-cutting measures for 2008. At the same time CertainTeed has recently announced further plant closures in the roofing and wall facing businesses in order to align capacity with market demand and realize significant operating-cost savings.

In 2008, CertainTeed will launch a number of new products specially designed for the industrial and commercial construction markets and will also develop cutting-edge solutions for sustainable development programs.

Despite the difficult operating environment anticipated for 2008, the Exterior Fittings division forecasts another year of sales growth, led by its 2007 acquisitions in the wall facing business and the success of its fiber-cement products. A third fiber-cement plant will come on stream in 2008 in Terre Haute, Indiana, with the dual aim of meeting customer demand and reducing production and transport costs.

Industrial Mortars

The Industrial Mortars division – operating under the Saint-Gobain Weber banner – is the world leader in tiling adhesives and grouting[1], Europe's number one for wall rendering[1] and number one in Europe, South America and South Africa for industrial mortars[1].

The Industrial Mortars division offers a comprehensive range of solutions for:

- cladding facades across the globe, that are consistent with the surrounding environment and architectural styles;
- decorating both new and existing facades, for individual houses and housing units as well as industrial and office buildings, with the right combination of style, color and surfacing;
- protecting facades through the use of technical applications such as wastewater systems, thermal insulation and waterproofing;
- developing technical applications adapted to the skills and know-how of users, and that offer comfort, safety and resistance.

For all of the challenges of tiling, both in the construction and renovation markets, Saint-Gobain Weber offers specific solutions that guarantee secure and simple application while respecting local customs and practice.

The division also offers a comprehensive range of ready-to-use or ready-mix cement, polymer and resin-based mortars designed for:

- laying all tiles onto any surface;
- decorative and technical tile grouting;
- cleaning and protecting tiles.

With operations in 27 countries and a network of dealer-partners, the Industrial Mortars division is able to provide support on project requirements and product use to customers, contractors, tradespeople, architects and homeowners.

Operations in 2007

The Industrial Mortars division reported a sharp rise in net sales in 2007 with further high organic growth and central Europe and South America posting significant increases in volumes. Business income advanced once again in substantially all of the division's host countries, particularly in France where the division built on growth achieved the previous year. Capital expenditure programs were implemented as planned in Turkey, South America, France and the United Kingdom. At the same time, the division broadened its geographical footprint by acquiring companies in two new host countries – Serbia and Malaysia – and bolstered its operating presence in Brazil and Turkey through bolt-on acquisitions.

Outlook for 2008

2008 will be a watershed year for the Industrial Mortars division as a result of the acquisition of Maxit, subject to approval by the relevant anti-trust authorities. This acquisition will more than double the division's total sales and significantly strengthen its presence in northern and eastern Europe. Maxit – whose products offer a good strategic fit with the division's existing portfolio – will enable the Industrial Mortars division to break into seven new markets bringing its total number of host countries to 34.

Excluding the impact of the Maxit acquisition, the division anticipates another year of high sales growth as the slow down in western European markets is expected to be partly offset by strong momentum in eastern Europe and emerging countries. To achieve this, the division intends to continue its expansion drive, including by launching new products and extending existing sales networks.

The division also plans to further step up the pace of capital expenditure with the start-up of new plants in France and the United Kingdom and the roll-out of measures to align capacity with demand in emerging countries.

1 - Source: Saint-Gobain.

Pipe

The Pipe division operates in the water-supply industry through its global brand PAM. For over 150 years it has provided comprehensive expert solutions that meet the most demanding requirements. It offers a broad range of products that are durable, reliable and easy to install while focusing on the quality of its services and making increasing use of recyclable materials.

The Pipe division's business involves designing and selling the following:

- complete systems of ductile cast iron pipes for drinking water, irrigation, purification and rainwater drainage;
- pipe systems for industrial utility and process circuits;
- pipe systems for fire prevention;
- full ranges of valves, sprinklers and connectors for water and purification systems, drainage, fire prevention and irrigation devices;
- complete cast iron pipe systems for the building industry (wastewater and rainwater drainage); and
- roadworks components made of ductile cast iron and steel for accessing pipe systems (water supply, wastewater drainage and telecommunications).

With a view to ensuring a local footprint, the Pipe division is structured internationally into three business lines: Water and Purification, Roadworks and Utilities, and Construction.

Saint-Gobain's Pipe division ranks number one worldwide for the production and marketing of ductile cast iron pipe systems[1] and also holds the top slot in Europe in supplies for roadworks and utilities and cast iron wastewater drainage systems[1].

The division's line up of manufacturing bases in France, Germany, Spain, and Brazil has recently been rounded out by new facilities in China, the Czech Republic and South Africa. Including the operations of its dedicated sales subsidiaries, the Pipe division delivered products and services in 126 countries in 2007.

Operations in 2007

The Pipe division's markets remained buoyant overall in 2007, driven by continued investment in infrastructure for the transportation, supply and distribution of water as well as by the impact of stricter compliance requirements for water purification and a healthy construction industry. Momentum was particularly strong in Spain, France and Scandinavia, and eastern Europe also reported significant growth during the year.

As expected, inflationary pressure was strong in 2007 and heightened towards the end of the year with spikes in prices for ores, scrap metals, energy (coke and electricity) and sea freight. The Pipe division implemented strict procedures for managing its business solutions and order acceptance systems in order to limit the effect of these price increases.

The industrial streamlining measures undertaken in Europe reached an end in 2007 with the discontinuation of centrifuge operations and the closure of the Stanhope valve workshop in Ilkeston in the United Kingdom as well as the shutdown of the Pesaro workshop in Italy. The sales network in Spain was further extended in order to better serve the country's fragmented pipe market and pave the way for future growth. New sales units were also opened in Slovakia and Algeria.

The division's Chinese units reported increased sales volumes for pipes during the year in the domestic market as well as enhanced profitability as a result of productivity measures implemented and a sales strategy that factored in inflationary pressure. The blast furnace at Ma'anshan in China was started up successfully during the third quarter of 2007, marking a significant step forward for the Chinese units' productivity and cost reduction plan which will be pursued in 2008 and 2009.

Also during 2007, distant export sales were boosted by the continuation of large-scale infrastructure projects in countries such as Algeria, Libya, Qatar and Kuwait. In the second half of the year, the division won a major order for Mauritania with deliveries scheduled for 2008.

Outlook for 2008

In view of its healthy order book and robust market fundamentals for water supply and purification, the Pipe division does not expect to see a major downturn in deliveries in 2008. However, sales in Spain are expected to return to a less unusually elevated level and certain projects may have to be put back slightly in France due to local elections. Overall, the division expects to see a modest increase in overall volumes, spurred by sustained momentum in eastern Europe, Brazil and China, and robust distant export sales.

Pipe, a bridgehead to emerging markets.

1 - Source: Saint-Gobain.

Innovation will once again be a major focus with new products expected to account for over 25% of the division's worldwide sales for the first time in its history. 2008 will also see the launch of a new offering for drinking water supply as well as the continued commercial roll-out of Ivoire – an integrated management system for underground water supply and drainage pipes in France – and Kamaléo®, a cutting-edge range of variable-angle pipe connectors.

Productivity and overheads will once again be key focal points for the division's European, Chinese and Brazilian units with a portion of the year's capital expenditure earmarked for related action plans. In addition, following on from successful asset sales in the United Kingdom in 2007, the Group intends to sell further plots of land in 2008 corresponding to sites closed in recent years.

	Businesses and products	Main applications	Key competitors	Competitive ranking*
Interior Solutions				
Insulation	• Glass wool • Rock wool • Soundproof ceilings • Insulating foam • Metal frames & ceilings	• Thermal & acoustic building insulation, technical installations, rolling stock • Hydroponic cultivation	• Owens Corning (US, China) • Johns Manville (US) • Rockwool (Europe) • Ursa (Europe) • Knauf (US, Europe) • Armstrong (US, Europe)	• World leader
Gypsum	• Plasterboard • Plaster: construction and other specialty plasters • Other building materials: EPS insulation, fastening systems • Ceiling tiles	• Partitions, ceilings & flooring for residential and non-residential buildings • Interior thermal insulation • Soundproofing solutions • Interior decoration • Fire protection solutions • Ceramic & metal molds	• Lafarge • Knauf • USG • National Gypsum • Georgia Pacific • Yoshino • BNBM/Tahe	• World leader
Exterior Solutions				
Exterior fittings	• Facade products: weatherboarding, windows • PVC outdoor products: fencing • Roofing materials: asphalt shingles	• Individual homes • New housing and renovation work	• Owens Corning (US) • Elk (US) • GAF (US) • Trex (US) • LP (US) • Ply-Gem (US) • James Hardie (US) • Fortune Brands (US)	• No. 2 in the US for weatherboarding • Joint leader in the US for roofing materials
Industrial mortars	• Wall rendering products • Tile adhesive & grouting products • Technical mortars	• Facade decoration & protection • Exterior thermal insulation • Stonework renovation • Decorative and technical pointing • Tile cleaning & protection	• Degussa (Germany) • Mapei (Italy) • Sto (Germany) • Materis (France) • Heidelberger (Germany)	• World leader in wall facing products & tile adhesives
Pipe	• Full piping systems in ductile cast iron, & fittings for pipes in any material • Roadworks equipment in steel & ductile cast iron • Full piping systems for wastewater & rainwater drainage	• Drinking water supply systems • Irrigation • Drainage • Fire prevention • Rainwater drainage • Utility access • Construction industry piping	• US Pipe (US) • Mac Wane (US) • Kubota (Japan) • Xinxing (China) • Buderus (Germany) • Tyco (US) • East Jordan/Norinco (US/France)	• World leader in ductile cast iron pipe • European leader in ductile cast iron roadwork components • European leader in cast iron components for the construction of industry

* Source: Saint-Gobain.

Building Distribution

Contribution to the Group

(in %)	2007	2006	2005
% of net sales	**45**	42	43
% of operating income	**27**	27	31
% of cash flow from operations	**22**	24	24

Key consolidated data

(in € millions)	2007	2006	2005
Net sales	**19,480**	17,581	15,541
Operating income	**1,102**	1,001	888
Cash flow from operations	**825**	817	667
Capital expenditure*	**353**	315	327

Sales data by sector include internal sales.
* Excluding finance leases.

Saint-Gobain's Building Distribution Sector is currently Europe's leading distributor of building materials and the top-ranking distributor of ceramic tiles worldwide[1]. It serves the construction, renovation and interior decoration markets. Its target customers include building contractors, tradespeople, architects and contractors, as well as homeowners.

Ever since it was founded in 1996, the sector has enjoyed strong growth, combining organic and external expansion. It first began to develop in France through the Point.P and Lapeyre chains, then expanded in the United Kingdom through Jewson and Graham, subsequently in Germany, the Netherlands and eastern Europe, through Raab Karcher, and then in the Nordic countries through Dahl and Optimera. In 2007, the sector continued to consolidate its network through bolt-on acquisitions and by opening new sales outlets. It also significantly extended its reach in the United States through the acquisition of Norandex and entered the Italian distribution market via its acquisition of Vemac – two strategic moves that marked an important step in its geographic expansion program.

An unrivalled network in Europe

With over 4,000 outlets in 24 countries, the Building Distribution Sector boasts an unrivalled distribution network within Europe. Its success is rooted in the diversity and strategic fit of its brands. Each of these has its own specific features and market position – whether geared to trade specialists or the domestic consumer market – contributing to the sales strength of the network as a whole while meeting the needs of local markets. This proactive organization means that customers are offered a full array of tailored solutions for their various needs, and reflects the diversity of customer expectations in terms of products, styles, services and trends, as well as the different businesses catered to.

Strong brands with an excellent strategic fit

French market leader Point.P primarily targets building professionals which it serves through a highly decentralized structure. It has a network of 1,760 outlets organized around brands for the general public and for trade specialists. For example, Point.P Matériaux de Construction is geared to domestic consumers, whereas Cedeo, Dupont Sanitaire Chauffage and Sem Angles are targeted at plumbing, heating and air conditioning specialists, SFIC is focused on insulation and interior fittings professionals, Asturienne is intended for roofing specialists, and Point.P Travaux Publics is channeled

Saint-Gobain Building Distribution has extended its reach in the US with the acquisition of exterior building product specialist Norandex.

1 - Source: Saint-Gobain.

to the public works market. Dubois Matériaux is targeted at the distribution of timber, panels and insulation materials, while Pum Plastiques covers plastic products designed for water supply and wastewater networks. Point.P and its various brands cover the whole of France, meeting the full spectrum of customer needs in the construction and renovation markets.

Lapeyre specializes in home decoration, covering four main product themes: fitted kitchens, fitted bathrooms, interior building solutions, and exterior carpentry. Products are closely tailored to the consumer market. Lapeyre has an extensive presence in France and also has operations in Belgium and Switzerland, as well as in Brazil under the Telhanorte banner and in Argentina under the Barugel banner. The Lapeyre group – which also includes the K par K banner – has a network of 179 stores with showroom areas of up to 4,000 sq.m.

In the UK and Ireland, Building Distribution operations are carried out through a network of over 920 outlets, split between general and specialized retailers, and Saint-Gobain is the region's second-largest building materials merchant. Its two main banners are Jewson and Graham, a plumbing and heating specialist, both of which are firmly focused on small contractors and tradespeople. The sector is currently strengthening its market position through bolt-on acquisitions and by expanding its networks of sales outlets. In addition, in 2007 it acquired the Norman group, the Channel Islands' leading builders' merchant[1].

Raab Karcher is the leading building materials distributor for trade customers in Germany, Hungary and the Czech Republic[1]. The brand has also been rolled out to the Netherlands and Poland. In 2007 Raab Kaarcher expanded its presence in Germany by acquiring the civil construction works specialist Schulte Tiefbau as well as Schaffer, a roofing specialist. Meanwhile it bolstered its position in the Netherlands by acquiring heating specialist Galvano, and Van Keulen, a general distributor. Over 480 sales outlets now operate under the Raab Karcher banner.

Dahl is the foremost distributor of plumbing and heating products in the Nordic countries[1]. It has operations in Sweden, Denmark, Norway, Finland, Estonia, Lithuania and Poland, supported by a network of 310 sales outlets primarily serving trade customers. Optimera is Norway's number three general retailer of building materials and the country's largest non-franchised building materials distributor. It is also a major player in the Swedish general builders' merchant market. In total it has over 100 sales outlets.

In Switzerland, Sanitas Troesch is the leading distributor of plumbing products and ranks second for fitted kitchens[1].

The sector is still expanding in southern Europe, building on its established presence in Spain and Portugal under the Point.P and Distriplac banners. In 2007 it boosted its European leadership in the tiling retail market by acquiring Discesur, Spain's second largest tiling distributor[1]. Also during the year, the sector acquired Vemac, one of the largest builders' merchant in Italy, enabling it to gain an initial foothold in the Italian market. Saint-Gobain's Building Distribution Sector now has a total of 100 sales outlets in southern Europe.

In the United States, the sector acquired the Norandex group, marking another milestone in its geographic expansion program. Norandex enjoys a strong positioning in the US specialized builders' merchant market and boasts a network of 153 specialized distribution branches dealing mainly in exterior building products. Although the division already had an operating presence in the United States through the laminate product specialist Meyer Decorative Surfaces, the Norandex acquisition will considerably extend its reach in the US building materials market.

La Plateforme du Bâtiment, an innovative retail concept launched by the Building Distribution Sector in France in 1998, is geared to helping small contractors and tradespeople based in major cities "save time and money", thus enabling them to meet even tighter deadlines. La Plateforme du Bâtiment is a sales outlet dedicated exclusively to all trade specialists, with permanent stocks and steady prices all year round. Drawing on its strong success in France's major cities, the concept has been rolled out to Poland, the United Kingdom, Hungary, Spain, Brazil, Germany, Italy and – in 2007 – the Czech Republic, with tailored adjustments targeted at the requirements of each local market. Including the new outlet in the Czech Republic, La Platforme du Bâtiment now operates in nine countries through over 70 sales outlets.

In 2006 the sector launched Aquamondo, a new highly specialized banner for bathroom products with a concept of "Only for the bathroom and everything for the bathroom". Targeted at the homeowner market, Aquamondo already has four sales outlets in the Greater Paris area. The brand's early results have been promising and research is currently underway concerning a rapid roll-out of the concept both in France and internationally.

Sharing know-how to strengthen each banner

The Building Distribution Sector seeks to promote synergies across its banners through knowledge-sharing, while ensuring that it preserves the distinctive character of each particular brand. The sector has set up cross-functional departments, harmonized product ranges, rolled out innovative sales concepts and new services, generated synergies in logistics, forged partnerships with the best suppliers, set up a common IT platform and encourages staff mobility. Leveraging the power of its network and the responsiveness of its teams within each banner, the Building Distribution Sector intends to push ahead with expansion in Europe and beyond.

1 - Source: Saint-Gobain.

Operations in 2007

The Building Distribution Sector continued to stride ahead in 2007 with net sales up 10.8% on a reported basis and 5.7% like-for-like. The majority of western European countries reported sustained sales growth, except for Germany. As in previous years the main growth drivers were Scandinavia, Spain, France, and, to a lesser extent, the United Kingdom. Business was once again strong in emerging countries, where net sales topped €1 billion.

The sector continued to expand through external growth, with 53 acquisitions that contributed full-year net sales of €1,304 million. It maintained its two strategic development avenues: (i) geographic expansion, with the two major acquisitions of Norandex in the United States and Vemac in Italy; and (ii) extending existing networks through bolt-on acquisitions.

In France – which accounts for over 40% of the sector's business – market conditions remained favorable for both construction and renovation. These markets are mostly served by tradespeople and small and medium-sized companies, the key clientele for Point.P and La Plateforme du Bâtiment. Overall net sales reported by the sector's France-based businesses rose sharply once again based on a comparable structure. In addition to the favorable economic climate, growth was driven by an enhanced product and service offering tailored to all customer categories, as well as by the opening of new outlets. External expansion also continued apace with the acquisition of 43 outlets, representing €98 million in full-year net sales.

In the United Kingdom the sector reaped the benefits of a market recovery during the year. It pursued its network expansion policy, opening 27 new outlets, and external growth was led by the acquisition of 16 outlets representing €121 million in full-year net sales.

In Germany, the construction market ended 2006 on a high note which fed through to the beginning of 2007. However it experienced a downswing later in the year. Despite a lackluster market in the Netherlands the sector turned in a satisfactory performance powered by strong external growth due to the acquisitions of Galvano and Van Keulen. Overall, the Group acquired 35 outlets in Germany and the Netherlands, representing €243 million in full-year net sales.

In the Nordic countries, Dahl and Optimera bolstered their leadership positions thanks to excellent momentum in 2007, which once again drove organic growth to above 10%. The sector also actively pursued its bolt-on acquisition policy during the year, purchasing 24 outlets in Scandinavia, representing full-year net sales of €89 million.

Raab Karcher turned in a good performance in the high-growth markets of eastern Europe, with organic growth topping 20%. Business levels were also extremely robust in Poland, the Czech Republic and Hungary, with the first half of the year proving to be exceptional.

In Spain the sector strengthened its leadership position in Catalonia and expanded its business in the Levante region. La Plateforme du Bâtiment reported an increase in sales and Distriplac had a very satisfactory year. In 2007 three new La Platforme outlets stores opened and the sector acquired eight new outlets representing €94 million in full-year net sales. In Italy, the three La Plateforme stores opened in 2006 and 2007 are in the start-up phase.

Outside Europe, Lapeyre continued to expand in South America, with Telhanorte in Brazil and Barugel in Argentina both delivering very good sets of results.

The Building Distribution Sector's margins held firm during the year despite hikes in raw materials prices that fed through to purchasing costs. Operating income climbed to €1,102 million from €1,001 million in 2006 and represented 5.7% of net sales, unchanged from the previous year.

Outlook for 2008

The international financial crisis has led to a reduction in the volume of loans as well as corrections in the real estate market. Against this backdrop the Building Distribution Sector expects 2008 to be less favorable than 2007 from a macro-economic point of view. However the sector intends to leverage its experience and superior offering to achieve high organic growth and post a further increase in net sales.

Businesses and products	Main applications	Key competitors	Competitive ranking*
• Distribution of construction materials for new buildings & renovation work • Industrial doors & windows	• Individual & collective housing market • Home fittings: fitted kitchens, doors & windows, fitted bathrooms, heating	• Wolseley (UK/France) • CRH (UK/Netherlands/France/Switzerland) • Travis Perkins (UK) • SIG (UK, France, Germany, Netherlands, Poland) • Grafton (UK, Ireland) • BSS (UK)	• European leader in building materials distribution. • World leader in ceramic tile distribution

* Source: Saint-Gobain.

Packaging

Contribution to the Group

(in %)	**2007**	2006	2005
% of net sales	**8**	10	11
% of operating income	**10**	10	13
% of cash flow from operations	**11**	12	16

Key consolidated data

(in € millions)	**2007**	2006	2005
Net sales	**3,546**	4,080	4,008
Operating income	**401**	376	385
Cash flow from operations	**425**	402	432
Capital expenditure*	**309**	335	305

Sales data by sector include internal sales.
* Excluding finance leases.

Saint-Gobain's Packaging Sector ranks number two worldwide in glass packaging[1], with sales operations in 44 countries and manufacturing facilities in 12.

The sector provides its customers with the strength and expertise of a major group backed by six R&D centers and 48 manufacturing plants with 97 furnaces, while retaining a local presence for some 20,000 customers in a market which to a large extent is still regional. The sector had 15,000 employees and produced 26 billion bottles and jars in 2007.

The Packaging Sector manufactures 26 billion bottle and jars each year.

Following the sale of its plastic pumps business in 2006 and its flasks operations in 2007, the sector has completely refocused on its core businesses – bottles for wine, champagne and spirits; and jars for foodstuffs. Saint-Gobain is a world leader in these markets[1]. The sector also operates in other segments of the food and beverages industry including fruit juices, soft drinks, mineral waters, oils, baby food, instant food and drinks, dairy products, and desserts.

With a view to partnering its multi-national customers in their international development, over the past few years the sector has implemented an acquisitions-based expansion strategy. Following on from its acquisitions in eastern Europe in 2005, the sector strengthened its presence in the Latin American and wine bottle markets in 2006 by purchasing a majority stake in the Chile-based company SG Envases. This company's production plant came on stream in October 2007.

The sector's innovation capabilities and design expertise, allied with its versatile manufacturing base, local network of plants and high-quality customer-centric approach, have propelled it into joint top slot in the European market and enabled it to capture the number two position in the United States[1].

In all of the sector's businesses, the strategic focus is on ever-enhancing product and service quality, drawing on the skills and experience of its people to develop partnerships, and responding swiftly to customer needs and expectations.

Operations in 2007

In March 2007 the sector sold its flasks business, which was classified as "held for sale" in the 2006 financial statements. Subsequent to the sale, which generated a €283 million pre-tax gain based on an enterprise value of €690 million, the sector reinvested in the business, acquiring a 19.9% stake.

On an actual structure basis, net sales for the Packaging Sector contracted 13.1% in 2007. The 2007 reported net sales figure did not include the plastic pumps business (which contributed six months' worth of sales in 2006) and only included three months' worth of sales from the flasks

1 - Source: Saint-Gobain.

business compared with 12 months in 2006. On a like-for-like basis net sales rose 5.5%.

Business was buoyant during the year, particularly in Europe where sales were up 8.9%. Against a backdrop of high demand and pronounced seasonal peaks, the sector used all of its capacities and resources to meet customer needs, and at times inventory levels were extremely stretched.

Steep rises in costs – notably for energy and raw materials – were mostly offset by production efficiency gains and increases in sales prices. In the United States, the supply contract signed with Anheuser-Busch in 2006 and the contracts renewed on expiry throughout the year had a positive impact on net sales in local currency. By contrast, the rise of the euro against the dollar resulted in a negative €96 million exchange rate impact on the sector's total net sales.

In Latin America, the sector firmed up its Chilean business from June 2007. In addition, a medium-term supply contract was signed in Brazil with the Ambev group for volumes below historic levels as this customer has built an integrated furnace that partially meets its needs. In Argentina, the Rayen Cura plant worked at full capacity in line with continued market growth. The household glassware business in Brazil was hit by the US dollar/Brazilian real exchange rate which negatively affected its competitive positioning in the export markets and at the same time pushed up imports of competitor's products, particularly from China.

The overall sales increase for the Packaging Sector testifies to its solid business model, encompassing rigorous attention to quality and an unrelenting quest to stand out from its competitors and achieve customer satisfaction. The sector's offering is backed by a comprehensive, innovative and regularly extended product range and highly efficient world-class production facilities.

In 2007 the sector's operating income rose 6.6% on an actual structure basis and 24% excluding the impact of the sale of the flasks and plastic pumps businesses. This performance was achieved thanks to a robust and highly-efficient performance from the sector's manufacturing facilities, as well as to the sector being able to pass on increases in production costs (gas, fuel and glass raw materials) in its sales prices whereas these increases had affected its operating performance for the two previous years. Also during the year the Packaging Sector pursued its rigorous policy of enhancing productivity and containing other production costs.

Cash flow from operations came in higher than in 2006 and was more than sufficient to cover the sector's capital expenditure for the year.

Lastly, tight control over working capital requirements once again made a significant contribution to financing an ambitious capital expenditure plan, with the twin aims of further stepping up productivity and performance and achieving full compliance with the applicable environmental standards.

Outlook for 2008

The sector expects to see a further rise in production costs in 2008, particularly energy prices. The operating context should remain favorable for the bottles and jars market, with continued strong business levels in Germany and Italy. There has been no overcapacity in the United States since the El Monte plant was closed in 2006, and growth is set to remain firm in emerging countries.

In light of these conditions, the sector's financial performance should once again be healthy in 2008.

At the same time Saint-Gobain Packaging intends to pursue its efforts to reduce working capital requirements and keep capital expenditure on a par with that for 2007. This will entail ongoing investment in emerging countries and a large-scale program to rebuild furnaces in Europe and enhance their environmental performance.

The sector will also continue to roll out its integrated environmental management system and plans to actively pursue its ISO 14001 certification program in 2008. In addition, it will pursue its drive to incorporate fume filters each time major repair work is carried out on a furnace in Europe, with the aim of equipping all of its European Union glass-making plants with these filters by end-2008.

Businesses and products	Main applications	Key competitors	Competitive ranking*
• Glass bottles and jars	• Packaging for foodstuffs & beverages	• Owens Illinois (US, Europe, Asia, Latin America) • Ardagh (Europe) • Vitro (Mexico) • Sisecam (Turkey) • Vetropack (Europe) • Vidrala (Europe)	• No. 2 worldwide • World leader in the wine bottle segment

* Source: Saint-Gobain.

Outlook and objectives for 2008

Macro-economic conditions in 2008 will be tougher than in 2007. Both the troubles experienced by the US economy and the housing market crisis may well deepen and it is still unclear how the western economies will react to this overall turbulence and the credit crunch. Added to this there is the volatility of energy, transport and commodity prices, as well as the effects of fluctuations in the value of the US dollar and Asian currencies.

Despite this backdrop, the construction markets in western Europe are expected to remain on a generally positive trend – albeit with slower growth rates than in 2007 – but the picture will likely be mixed across the various countries in the region. The renovation market should hold firm as a whole, but no improvement is forecast for North America. Industrial markets are set to remain robust in Europe, whereas demand in the United States is expected to be more moderate. Household spending should stay buoyant and Asia and emerging countries are once again expected to enjoy strong momentum.

In this economic context Saint-Gobain can capitalize on the following key strengths:

- Its leading worldwide position in the energy-efficiency sector of the housing market.
- Its strong presence in the European renovation market (accounting for 35% of net sales), through the Building Distribution Sector.
- The significant contribution by Asia and emerging countries to the Group's operating income, representing 20% of the Group total – twice that of North America.
- Its limited exposure in the United States.
- The positive contribution of acquisitions to external growth.
- A solid financial structure and a high level of cash flow from operations.

Based on the outlook for each of its businesses, the Group expects 2008 to be another year of growth in terms of operating income and recurring net income, although the rise is likely to be more moderate than in previous years.

At the same time, it expects to be able to keep up its high level of free cash flow and maintain its solid financial structure while continuing to proactively roll out its business model as follows:

- Complete its move to focus on housing markets, with the planned divestment of the Packaging business.
- Continue to invest in emerging countries.
- Make targeted acquisitions in Construction Products, Building Distribution and Innovative Materials.
- Tightly control costs and projects.
- Ensure that the Group can react swiftly in the event that economic conditions worsen.

1 - Source: Saint-Gobain.

Risk factors

Market risks (liquidity, interest rate, foreign exchange, energy and credit risks)

Liquidity risk on financing

Liquidity risk relating to the Group's total net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain. Except in special cases, the counterparty of Group companies for their long-term financing is Compagnie de Saint-Gobain or the cash pools of the national delegations. The companies' short-term financing needs are mainly met by the parent company or national cash pools.

The main objective of managing overall liquidity risk is to guarantee that the Group's financing sources will be renewed and to optimize annual borrowing costs. Long-term debt therefore systematically represents a high level of overall debt. At the same time, the maturity schedules of long-term debt are such that the financing raised through the markets when the debt is renewed is spread over several years.

Bonds make up the main source of long-term financing used by the Group. However, it also uses a Medium Term Notes program, perpetual bonds, participating securities, bank borrowings, and finance leases.

Short-term debt is composed of borrowings under French Commercial Paper (*Billets de Trésorerie*), Euro Commercial Paper and US Commercial Paper programs, as well as securitized receivables and bank overdrafts. Short-term financial assets comprise marketable securities and cash equivalents.

Compagnie de Saint-Gobain's US Commercial Paper, Euro Commercial Paper, and French *Billets de Trésorerie* programs are backed by confirmed syndicated lines of credit and bilateral credit facilities.

A breakdown of long- and short-term debt is provided by type and maturity in Note 17 to the consolidated financial statements, which also includes details of amounts, currencies, and early repayment terms and conditions of the Group's financing programs and confirmed credit lines.

Liquidity risk on investments

To reduce liquidity or volatility risk, the Group's systematically prefers investments (in the form of short-term bank deposits, purchases of money-market or similar instruments) in money-market funds and/or bonds.

Interest rate risk

Interest rate risk relating to the Group's total net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain, under the conditions described in the first paragraph of the section dealing with liquidity risk. Where subsidiaries use derivatives to hedge risk on debt, their counterparty is Compagnie de Saint-Gobain, the Group parent company.

The main objective of managing overall interest rate risk on the Group's consolidated net debt is to fix the cost of medium-term debt and optimize annual borrowing costs. The Group's policy defines which derivative financial instruments can be used to hedge debt. Derivatives may include interest rate swaps, options (including caps, floors and swaptions) and forward rate agreements.

Based on a sensitivity analysis of the Group's total long-term debt after hedging, an increase of 50 basis points in interest rates at the balance sheet date would have increased equity by €21 million and reduced income by €6 million.

Foreign exchange risk

The Group's policy on foreign exchange risk consists of hedging commercial transactions carried out by Group entities in currencies other than their functional currencies. Compagnie de Saint-Gobain and its subsidiaries may use options and forward contracts to hedge exposure arising from commercial transactions. The subsidiaries set up option contracts exclusively through the Group parent company, Compagnie de Saint-Gobain, which then takes a reverse position on the market.

Most forward contracts are for periods of around three months. However, forward contracts taken out to hedge firm orders may have terms of up to two years. Subsidiaries are authorized to enter into forward currency contracts for periods of less than two years.

The majority of transactions are hedged, invoice by invoice or order by order, with Saint-Gobain Compensation, the entity set up to manage the Group's foreign exchange risks. Saint-Gobain Compensation hedges these risks solely by means of forward purchases and sales of foreign currencies. This enables companies using the services of Saint-Gobain Compensation to hedge exposure arising from commercial transactions as soon as the risk emerges. Saint-Gobain Compensation reverses all its positions with Compagnie de Saint-Gobain and does not therefore have any open positions.

The exposure of other Group companies to foreign exchange risks is hedged wherever possible with *Compagnie de Saint-Gobain* on receipt of orders sent by the subsidiaries or with the cash pools of the national delegations. In other cases, hedges are contracted with subsidiaries' banks.

The Group monitors its exposure to foreign exchange risk using a monthly reporting tool which captures the foreign

exchange positions taken by the Group's subsidiaries.
At December 31, 2007, 90% of the Group's foreign exchange position was hedged. At December 31, 2007, the net foreign exchange exposure of subsidiaries whose functional currency is not the euro was as follows:

In millions of euro equivalents	Long	Short
USD	26	20
EUR	23	27
Other currencies	5	3
Total	**54**	**50**

Based on a sensitivity analysis, an increase of 10% in the hedging currencies listed below would have had the following impact on net income:

Impact in millions of euros	Net gains or losses
USD	(0.6)
EUR	0.4

At December 31, 2007, the impact of a 10% fall in these currencies would have resulted in movements in the same amounts as those set out in the table above but in the opposite direction (assuming that all other variables remained unchanged).

Energy risk

To limit exposure to energy price fluctuations, the Group sets up swaps and options to hedge part of its natural gas purchases in certain European countries and the United States, and its fuel oil purchases in Europe. The swaps and options are contracted in the functional currency of the entities concerned. Hedges of gas and fuel oil purchases are managed by a steering committee comprising members of the Group Finance Department, Group Purchasing Department (Saint-Gobain Achats – SGA) and the relevant delegations.

These hedges (excluding fixed-price purchases from suppliers directly negotiated by the Purchasing Department) are arranged by the Group Treasury and Financing Department in accordance with instructions received from SGA.

The hedges are contracted for a maximum term of 18 months.

The steering committee does not manage hedges for other energy sources or geographical areas not mentioned above because:

- the volumes involved are not significant; or
- there are no international price indexes used by local players in the geographical areas concerned, and transactions are therefore based on either administered prices or strictly national indexes.

In both of these cases, local purchasing units manage energy risk primarily through fixed-price purchases.

Occasionally, the Group may enter into contracts to hedge purchases of certain commodities, in accordance with the principles outlined above for gas and fuel oil.

Credit risk

To limit its exposure to credit risk, the Group's Treasury and Financing Department only deals with counterparties rated A- or above by Standard & Poor's or A3 or above by Moody's over the long term, with a stable outlook in both cases.

Note 18 to the consolidated financial statements provides details of the Group's interest rate and energy hedges, as well as the interest rates applicable for the main items of gross debt. It also provides a breakdown of net debt by currency and interest rate (fixed or variable), as well as the interest rate repricing schedule.

Industrial and environmental risks

Substantially all the Saint-Gobain Group's industrial and environmental risks stem from the storage of certain hazardous materials. Eight Group sites are classified as presenting "major technological risks" within the meaning of European and North American regulations. Accordingly, the sites concerned are subject to specific legislation and are carefully monitored by the regulatory authorities.

In 2007, seven of Saint-Gobain's European sites were classified in accordance with the Seveso Directive on the prevention of major hazards – the Mers-les-Bains (Packaging) and Icasa (Reinforcements) sites having been sold. Four of these sites fall within the "lower-tier" category defined in the Seveso Directive: Conflans Sainte-Honorine (Abrasives) in France, which stores phenolic resin; Neuburg (Packaging) in Germany, which stores liquefied petroleum gas; Avilès (Flat Glass) in Spain, which stores propane (C_3H_8) and oxygen (O_2); and Vamdrup (Insulation) in Denmark, which stores phenol (C_6H_6O) and methanal (CH_2O). Three sites are included in the "upper-tier": Bagneaux-sur-Loing (Flat Glass) in France, which stores arsenic (AS_2O_3); Hyvinkää (Insulation) in Finland, which stores phenol (C_6H_6O) and methanal (CH_2O); and Carrascal del Rio (Flat Glass) in Spain, which mainly stores fluorhydric acid (HF). In accordance with the law of July 30, 2003 relating to the prevention of technological and natural risks and the remediation of contaminated areas, specific risk prevention and safety measures have been put in place at each of these sites, with added emphasis on the plants classified as "upper-tier" under the Seveso Directive. Once the plants identify the risk of accidents and the potential impact on the environment, they take preventive measures relating to the design and construction of storage facilities, as well as to conditions of use and maintenance. Internal contingency plans have been set up to deal with emergencies. Liability with respect to personal injury or property damage relating to the operation of these plants is covered by the Group's current third-party liability insurance program, with the exception of the site at Bagneaux-sur-Loing, which is operated under a joint venture with a non-Group company covered by a separate policy. In the event of an industrial accident, compensation payments to victims would be managed jointly by the joint venture, the broker and the insurer.

A site based at Lake Charles in the United States falls under both the Risk Management Program Rule (RMP Rule) and the Emergency Planning and Community Right-to-Know Act (EPCRA), as it uses vinyl chloride for making PVC pellets – a raw material used in some of the construction materials made by CertainTeed (cladding, windows, landscaping products, etc.). The Group's other major industrial facilities are subject to a permits regime and are thus regularly monitored by local regulatory authorities. For the sales outlets in the Saint-Gobain Building Distribution Sector, smaller industrial facilities and plants at which there is no significant environmental risk (e.g., processing subsidiaries of the Flat Glass Sector and Construction Products sites), have only minor environmental impacts, such as neighborhood issues. As set out in the reporting methodology, because of their low environmental impact, these sites are not included in the scope of EHS environment reporting.

Legal risks

The Group is not subject to any specific regulations that could have an impact on its financial position, although companies running industrial sites are generally required to comply with specific national legislation and regulations that vary from country to country. In the case of France, for example, Group sites are subject to laws and regulations on listed facilities. The Group has no significant technical or commercial dependence on any other companies, is not subject to particular confidentiality restrictions and has the assets required to run its operations.

Compagnie de Saint-Gobain is part of an integrated tax consolidation regime as provided for under Articles 223 A et seq. of the French General Tax Code. The Group did not request the renewal of its entitlement to income tax assessment on the basis of consolidated fiscal income, so this regime consequently lapsed on December 31, 2006.

The legal risk to which the Group is most exposed is asbestos-related litigation, in France and above all the United States.

In France, between 1997 and the end of 2007, 634 lawsuits based on "inexcusable fault" (*faute inexcusable*) were filed for asbestos-related occupational diseases against Everite and Saint-Gobain PAM, which in the past carried out fiber-cement operations. At December 31, 2007, 461 of these 634 lawsuits had been completed both in relation to liability and quantum. A further 103 suits based on "inexcusable fault" had been filed at the same date against 14 other French companies in the Group, where equipment containing asbestos had been used to protect against heat from furnaces. At end-2007, compensation due from Everite and Saint-Gobain PAM amounted to a total of €2 million.

Further details of these claims are provided in Note 25 to the consolidated financial statements.

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 the employees or former employees of the companies. The claims 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 2007

After three years marked by high numbers of claims filed against CertainTeed (60,000 in 2001, 67,000 in 2002 and 62,000 in 2003, compared with 19,000 in 2000), new claims filed fell to 18,000 in 2004, and subsequently dropped to 17,000 in 2005, to 7,000 in 2006 and to some 6,000 in 2007. This decline was felt over the last four years in most States, particularly in those which had seen the greatest numbers of claims in the previous years. The decline reflects State court rulings as well as changes in local legislation in various States to introduce stricter medical criteria for new claims.

Almost all of the claims against CertainTeed are settled out of court. Approximately 8,000 claims were settled out of court in 2007, compared with 54,000 in 2003, 20,000 in 2004 and in 2005, and 12,000 in 2006. Taking into account the 76,000 outstanding claims at the end of 2006 and the new claims having arisen during the year, as well as claims settled or placed in inactive dockets, some 74,000 claims were outstanding at December 31, 2007.

Impact on the Group's results

The Group recorded a €90 million charge in 2007 to cover future developments in relation to claims involving CertainTeed. This amount is slightly lower than the €95 million recorded in 2006, the €100 million recorded in 2005, the €108 million recorded in 2004, and the €100 million recorded in 2002 and 2003. At December 31, 2007, the Group's total cover for asbestos-related claims against CertainTeed in the United States was €321 million (USD 473 million), compared with €342 million at December 31, 2006 (USD 451 million). The coverage is achieved almost entirely through the balance sheet provision, as most available insurance had been used by 2004.

Cash flow impact

Compensation paid in respect of these claims against CertainTeed (including claims settled prior to 2007 but only paid out in 2007, and those fully resolved and paid in 2007), and compensation paid (net of insurance) by other Group businesses in connection with asbestos-related litigation, amounted to €53 million (USD 73 million) in 2007, compared to €67 million (USD 84 million) in 2006.

Outlook for 2008

No significant developments have been observed during the past few months, either in terms of new claims or in terms of compensation paid.

On the legislative front, the federal reform bill – which sought to phase out the current system with the creation of an asbestos trust fund – now appears unlikely to progress.

In Brazil, former Group employees suffering from asbestos-related occupational illness are offered either exclusively financial compensation or lifetime medical assistance combined with financial assistance. Only a small number of asbestos-related lawsuits were outstanding at December 31, 2007 and they do not represent a material risk for the companies concerned.

European Commission investigation into the construction glass and automotive glass industries

Further to its investigations carried out at the sites and premises of glassmakers operating in Europe (including Saint-Gobain Glass and Saint-Gobain Sekurit) during February and March 2005, and in light of information provided to the European Commission by one of these companies as part of an application for leniency, the European Commission sent Statements of Objections to Saint Gobain Glass France (construction glass) on March 12, 2007, and to Saint-Gobain Glass France, Saint-Gobain Sekurit Deutschland and Saint-Gobain Sekurit France (automotive glass) on April 19, 2007. The two Statements of Objections, which were also sent to Compagnie de Saint-Gobain in its capacity as parent company of the entities, concerned an alleged breach of Article 81 of the Treaty of Rome.

The Statements of Objections claim that the above-mentioned glass subsidiaries contacted or met with one or more competitors to discuss pricing strategies or market share stabilization, or to exchange illicit information.

Following a review of the case and the objections, Saint-Gobain Glass France is not challenging the allegations made in respect of its construction glass activity, while Saint-Gobain Glass France, Saint-Gobain Sekurit Deutschland and Saint-Gobain Sekurit France have acknowledged the claims against their automotive glass businesses but are challenging the scope given to certain such claims by the Commission.

In their responses to the Commission, the companies concerned nevertheless set forth a series of arguments based on the seriousness and duration of the alleged infringements, the amount of sales generated by the activities to be taken into account in the claim, and the impact of the repeat offence. Compagnie de Saint-Gobain has formally denied any liability whatsoever for the allegations made in the two cases.

In a decision of November 28, 2007 concerning its investigation into companies manufacturing construction glass, the European Commission held that Saint-Gobain Glass France had violated Article 81 of the Treaty of Rome. Accordingly, Saint-Gobain Glass France was fined, jointly and severally with Compagnie de Saint-Gobain, an amount of €133.9 million. Compagnie de Saint-Gobain and Saint-Gobain Glass France decided not to appeal this decision and the fine was paid on March 3, 2008.

After adjusting the amount of the provision set aside in respect of this fine for the construction glass business, and revising the provision for the automotive glass investigation to incorporate a higher sales basis (2007 rather than 2006 sales), the €650 million provision set aside in the first half of 2007 was increased to €694 million at December 31, 2007.

To the best of the Company's knowledge, no other litigation or arbitration has recently had, or is likely to have, a material impact on the financial position, operations or results of Compagnie de Saint-Gobain or on the Saint-Gobain Group.

Insurance - coverage of potential risks

In order to protect its assets and revenue streams, the Group relies on a policy of accident prevention and insurance coverage. This policy is embedded within a Group doctrine, which takes into account current conditions in the insurance market. The doctrine is formulated by the Risks and Insurance Department, which coordinates and monitors compliance. The doctrine defines the applicable criteria for the coverage of the most significant risks, such as property damage and business interruption, as well as third-party liability insurance to protect against claims involving the Group's operations or products. For other types of coverage, such as automobile fleet insurance, the Risks and Insurance Department advises the individual operating units on policy content, broker selection and which market to consult. For such "recurring" risks, a procedure has been set up to monitor claims management and implement the appropriate preventive action.

Policy content in 2007 replicated that applied in 2006. Premiums were revised downwards.

The captive insurance company set up to provide coverage for property damage proved effective in containing claims experience.

Companies acquired during the year have been integrated into existing insurance programs.

Property damage and business interruption

The Group is covered for non-excluded property damage and business interruption arising from accidental damage to insured assets. This coverage is provided under a number of regional programs, which meet the policy criteria laid down by the Risks and Insurance Department:

- Policies should be All Risks (subject to named exclusions).
- Coverage ceilings should be based on worst-case scenarios where safety systems operate effectively.
- Deductibles should be proportional to the size of the site concerned and cannot be considered as self-insurance.

These policy criteria take into account current insurance offerings, which exclude certain risks, such as computer viruses and their impact on operations, and set ceilings on coverage for natural disasters like floods or storms. In extreme scenarios, such events could have a substantial non-insured financial impact in terms of both reconstruction costs and losses linked to production stoppages.

When defining its policy with respect to insurance coverage, the Risks and Insurance Department relies on the findings of the annual audits carried out by the insurance companies' prevention units. These audits give a clear picture of the risks to which each principal site would be exposed in the event of an accident – particularly fire damage – and detail the financial implications that would arise in a worst-case scenario. The risk evaluation exercise extends to assessing the impact of an earthquake in California on Saint-Gobain's plants in the region. Coverage for this risk can then be adjusted as appropriate.

Third-party liability insurance

Two programs provide coverage for third-party personal injury and property damage claims.

The first covers all subsidiaries, except those located in the geographic area covered by the General Delegation to the United States and Canada. In order to satisfy local regulatory requirements, a policy is taken out in each country in which the Group has a significant presence. Local policies are complemented by central policies issued in Paris, which can be activated when the local policy proves inadequate.

Altogether, the contracted lines of coverage correspond to a limit deemed sufficient for the Group's activity. Any exclusions carried by the program are consistent with current market practice and concern in particular potentially carcinogenic substances and gradual pollution.

The second program covers subsidiaries located in the geographic area covered the General Delegation to the United States and Canada. This program is structured differently to deal with the specific nature of third-party liability coverage in the United States. It is divided into several lines of coverage so that it may be placed on insurance markets in both London and Bermuda. The coverage provided is deemed adequate for the Group's US operations. Exclusions are in line with current market practice in the United States and concern matters like contractual liability and third-party consequential loss.

Within the operating units, the risk of third-party liability claims and the need to contain the related financial consequences are actively emphasized. In particular, the operating units are required to bear the cost of a deductible, which does not, however, constitute self-insurance. Saint-Gobain also runs a risk prevention program at its operating units with the support of the Environment, Health and Safety Department.

Exceptions

The programs discussed above do not handle risks specific to the Group's activities in India and Brazil, where local legislation prohibits their inclusion. Instead, insurance coverage is purchased locally under the supervision of the Risks and Insurance Department.

Joint ventures and companies not controlled by the Group are likewise excluded from the above programs. Again, separate insurance coverage is purchased based on the advice of the Risks and Insurance Department.

Sustainable development

Sustainable development takes a central place in Saint-Gobain's strategy

Sustainable development is a crucial issue for Saint-Gobain. In setting out its new strategy focusing on products for the construction market, Group Management clearly asserted its ambition to provide innovative, high-performance solutions addressing the challenges of energy savings and environmental protection: buildings are responsible for a quarter of all CO_2 emissions in developed countries.

Worldwide awareness of the importance of sustainable development is heightening, as indicated in recent months by events such as the United Nations conference on climate change, and Al Gore's being awarded the Nobel Peace Prize.

This situation strengthens Saint-Gobain's determination to focus on the design of solutions promoting sustainable development, such as low-emission double glazing to limit the transfer of heat and solar radiation, glass-wool and plasterboard insulation systems, and photovoltaic panels as an alternative to fossil energies. Saint-Gobain's R&D teams are working on further energy-saving solutions for the future, such as more economical lighting systems, and fuel cells for generating electricity and heating water in the home.

Saint-Gobain's strategic positioning on habitat and construction markets demands exemplary performance on sustainable development, well beyond regulatory compliance alone. Saint-Gobain thus takes a highly committed stance on minimizing the environmental impact of its processes, protecting the health and safety of its personnel, and making proper allowance for labor relations and social issues in all its business dealings. This commitment is set out in Saint-Gobain's Principles of Conduct and Action, drawn up in 2003 as a formal expression of the values that guide and inspire Saint-Gobain.

The decision to join the United Nations Global Compact the same year confirmed the central place of responsible and sustainable development in Saint-Gobain's strategy and daily practice – into which the Group undertook to integrate the Ten Principles of the Compact.

A cross-functional approach

The in-house organization set up to handle sustainable development issues within the Group brings together cross-functional capabilities, while fitting into the operational framework of the Group's decentralized operations. It mainly consists of three departments that collaborate closely:

- **The Environment, Health and Safety (EHS)** Department oversees and controls employee health and safety in the workplace, as well as environmental compliance, at all Group sites worldwide. And it works with the Research Department and individual sectors to ensure that products and solutions make proper allowance for sustainable development considerations.
- **The Human Resources Development Department** aims to support the Group's growth by providing the skill-sets that best match its needs, while responding to the aspirations of employees. The fundamental principle governing this development is that it requires optimum conditions of respect for individuals, professional commitment and solidarity.
- **The Responsible Development Department** issues the Principles of Conduct and Action, and educates employees on proper implementation of them. It also works with the relevant divisions, businesses or territories on producing more specific local translations of the Principles.

All three departments rely on robust networks within the various businesses and territories, ensuring that this three-pronged organization produces a consistent approach to responsible and sustainable development, both at global level and within each entity, where it is tailored to local circumstances.

How this chapter is organized

The summary table below presents a broad outline of the Group's sustainable development challenges. The first part of the chapter then goes on to discuss Saint-Gobain products and solutions that contribute to sustainable development. The second part sets out Saint-Gobain's commitments on environment, health and safety issues. The last two parts examine the Group's values and its labor relations and social development model. Indicators mentioned in the text are listed in a table at the end of the chapter, along with details on the methodology used for collecting and consolidating indicator data.

Challenges, achievements and outlook

To integrate sustainable development concerns within its strategy, the Group has identified a number of challenges, related to environmental protection, labor management, social issues, and business operations.

It defines policies and action plans on these questions, basing itself on the Group Principles of Conduct and Action, as the key reference point for all employees.

The challenges listed in this table are explained in greater detail in the main body of the chapter.

Environment

Challenges	Action taken	Pages	Outlook and future initiatives
Lower CO_2 emissions **- in our operating processes**	• Work on furnace design for improved energy efficiency • **Recycling** of secondary raw materials • **Selection of most appropriate energy source** • **Combustion settings** for glassmaking furnaces	94-95	• Definition of process-specific environmental footprints and reduction measures listed in targets for 2010
- through our products	• **Construction industry:** insulation products • **Renewable energy** • **Vehicles:** flat glass, particulate filters, lighter auto body parts, etc.	76-78	
- through our awareness-raising initiatives	• Dedicated industry associations and labels • Information and training to contractors and other professionals • "Environment coffee break" at head office, Lapeyre partnership on "Earth Train", etc	79-80	• Photovoltaic cells production plant with Shell • Research & development on new products
- in our transport operations	• Purchasing Charter	111	• In 2008, new program of measures, education and preparation of action plans on reducing transport-related CO_2 emissions
- in our buildings	• Factor 4 targets for service-sector buildings	95	• From 2008, all new service-sector buildings (offices, training centers, etc., i.e. excluding production shops, warehouses, stores, etc.) will have an energy consumption below 80 or 120 kWh/m² (depending on the country). • By the end of 2010 an energy report on all Saint-Gobain service-sector buildings will be completed, to help us plan actions for future thermal compliance
Lower atmospheric emissions of NO_X, SO_X, dust, metals, etc.	• Pollutant abatement at-source (**primary measures**) and through treatment of fumes (**secondary measures**) • **Selection of most appropriate energy source** • **Combustion settings** for glassmaking furnaces	96	
Optimized use and consumption of natural resources			• Definition of water consumption reduction targets for each Division by 2010
- water	• **Standardized closed-circuit operation at all facilities** • Improved operating processes • Constant innovation for **Pipe products**	97 97 97	
- wood	• Environmental policy on wood for Building Distribution Sector	97	
- silica, iron ore, coke, gypsum	• **Recycling for secondary raw materials** • Lightweight product design	92-94	
Waste management	• Improved reporting • **Reuse and recycling** of raw materials • **New avenues for reuse** of waste in new materials, in products or as energy • **Disposal as a last resort** and through controlled disposal networks	93-94	• Definition of waste disposal reduction targets for each Division by 2010

Environmental actions are undertaken under a continuous-progress approach. The aim is to extend ISO 14001 certification to over 80% of sites concerned in 2010.

Business continuity

Challenges	Action taken	Pages	Outlook and future initiatives
	• New communications campaign on Principles of Conduct and Action	107-108	• Shared feedback on implementation of Principles of Conduct and Action
	• Launch of **"Responsible purchasing"** initiative, to include social and environmental criteria in purchasing decisions	111	• Extension of responsible purchasing criteria to all aspects of relations with suppliers and contractors
	• Training module on competition law	110	• Development of training module on competition

Labor relations & social issues

Challenges	Action taken	Pages	Outlook and future initiatives
Workplace health and safety	**Safety at work** • Intensified action to prevent serious and fatal accidents: pursual of Serious Accident Plan • Continuous monitoring of accident incidence rates, and creation of composite indicator • Two dedicated methods, on risk assessment and accident and incident analysis • SMAT (Safety/Senior Management Audit Tool) • Pilot project on Temporary staff and Safety (under Responsible Purchasing initiative)	87-88 86 82	• Tighter cooperation on safety under Collective Agreement on European Employee Consultation • Optimized monitoring of temporary staff and subcontractors • Systematic audits • Rollout of group-wide risk assessment by 2010 • Group-wide SMAT rollout from 2008 • Rollout of "Temporary staff and Safety" pilot to other regions
	Ergonomics • Method for identifying handling, lifting and workstation posture risks: PLM (Posture Lifting Movement) method	91	• PLM method available and pilot sites set up in all Divisions from 2009
	Noise • Rollout of NOS (Noise Standard)	89	• Definition of high-exposure reduction targets for each Division by 2010
	Chemicals • Rollout of TAS (Toxic Agents Standard) and implementation guidelines • REACH European regulations: dedicated network set up and pilot project launched at representative sites	89-91	• Rollout of TAS inventory software across all industrial Divisions • Update to REACH database for chemicals
Forward-planning of needs and individual development	**Recruitment** • Relations with targeted universities • Recruitment campaigns within General Delegations	98 98	• Ongoing recruitment campaigns, stepped up in emerging countries • Improved induction for new arrivals, through personalized induction courses
	Training • Regularly increasing investment in training, particularly in emerging countries • Decentralized training courses • Training matched to key items in competencies reference manual	100-101	• Training program aligned to standardized competencies manual for managers (in progress)
	Career planning • Succession plans and personal reviews standardized to single format group-wide mobility across sectors and countries	98 99-100	• Rollout (in progress) of single evaluation form based on competencies reference manual • Global application for executive career management
Staff motivation	• Savings plan in 38 countries • International executive networks and regular meetings with Executive Management (Carrefours)	105 104	• Extended coverage for employee savings plan
High-quality dialogue with employee representatives	• Dialogue with employee representatives as close to the operational level as possible • Development of European Employee Consultation • Regular grassroots-level opinion surveys	103-104	• Election of new European-level employee representatives and training for members of permanent secretariat on issues of safety and acquisition/disposal transactions • Training for all members of group committee on LBO finance mechanisms and shareholder structure
Diversity	• Local and national actions on local integration and diversity • Program for integrating disabled persons in France • Regular evaluations of the proportion of women among Group executives	101-103	• Formal recommendations on diversity group-wide • Targets for employment of disabled persons in France • Higher proportion of women executives
Integration in local community life	• Relations with local communities in all countries • Promoting local job creation (Saint-Gobain Développement in France)	111-115	• Stronger long-term ties with local communities

I. Our products and services contributing to sustainable development

The contribution of Saint-Gobain's products and services to sustainable development involves:

- the environmental impact of buildings;
- renewable energies;
- the environmental performance of vehicles;
- drinking water supply, wastewater treatment and air purification.

A brochure entitled "Building our Environment, Together" was published in 2007 to spotlight innovative Saint-Gobain solutions for saving energy and protecting the environment. It can be downloaded in French or English from the Saint-Gobain website.

Saint-Gobain recently extended its practice of product lifecycle analysis to achieve systematic coverage of all construction industry products.

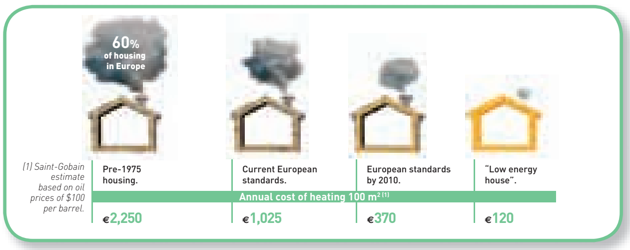
SAINT-GOBAIN AT THE BATIMAT CONSTRUCTION SHOW

Batimat, Europe's largest construction industry trade show, took place from November 5 to November 10, 2007. Saint-Gobain was among the 2,700 exhibitors from 49 countries at the event, an important showcase for the Group's new positioning on the construction products market and an ideal opportunity to demonstrate the strategic fit of its various businesses.

1. Limiting the environmental impact of buildings

Appropriate, innovative, high-performance products

Buildings: enormous scope for energy savings



Around 30% of Saint-Gobain's net sales and 40% of its operating profit derive from energy-saving solutions. Saint-Gobain produces building materials that help to cut down on the energy consumed for heating and air-conditioning, and on the resulting greenhouse gas emissions: the energy saved by a building fitted with these materials will, very quickly, far outweigh the energy that was consumed in making them. A properly insulated building consumes four or five times less heating (or air-conditioning) energy than a non-insulated home[1].

An energy balance for glass wool shows that the energy consumed in making and transporting this material is at least a hundred times less than the heating energy saved by insulating buildings with it. The thermal performance of glass wool is steadily being increased through consistent Saint-Gobain R&D work, which has yielded dozens of patents. For example, the glass wool made by Saint-Gobain today is 20% more efficient than previous standard products of equal thickness.

The products in question also improve soundproofing (for homes, multiplex movie theaters, classrooms, community centers, etc.) and thereby contribute to overall quality of life.

Saint Gobain insulation products are developed under several brand names. The Point.P group has enhanced its ranges of insulation products in response to new regulations since 2005, and to the requirements emerging from France's Grenelle Environment Summit. Cédéo develops a range of energy solutions (high-performance boilers plus geothermal, aerothermal and solar power systems) to reduce heating oil consumption. And Saint-Gobain recently launched a new R&D program on high-performance insulation materials for the home.

As world number-one in layered glass, Saint-Gobain Glass offers a number of specific solutions to the problem of energy efficiency in buildings. Expertise in thin-film deposition technologies is harnessed to produce a wide range of low-emission glazing systems, with double- or triple-glazing achieving insulation close to that of an opaque wall. Solar control glass also helps cut down the energy consumption of air-conditioned buildings. Over the last twenty years, Saint-Gobain has achieved a six-fold increase in the energy performance of its glazing products, through a committed R&D strategy.

According to a study by the European Association of Flat Glass Manufacturers, the 765 million tonnes of CO_2 emitted annually by buildings in the European Union (25 countries, 2005) could be reduced by 140 million tonnes per year if existing glazing were replaced by advanced-insulation (low-E) double-glazing. CO_2 emissions from the European flat glass industry (4.6 million tonnes per year) would be hugely outweighed by the savings obtained through systematic replacement of thermally inefficient glazing with latest-generation high-efficiency double-glazing.

1 - Source: Eurima.

A number of other Saint-Gobain products also contribute to improving building insulation, such as **laminates with plasterboard** and expanded polystyrene from Saint-Gobain Gypsum, exterior thermal insulation systems from Saint-Gobain Weber and Saint-Gobain Technical Fabrics, and Lapeyre windows.

Energy savings can also be made in lighting, and Saint-Gobain is actively involved in the development of lighting systems using **light emitting diodes** (LEDs). So far, LEDs are more familiarly used in display applications, but they are likely to eventually replace traditional incandescent bulbs, because they consume five times less electricity, last a hundred times longer and can produce a near-daylight spectrum.
The Crystals Division of the High-Performance Materials Sector is one of the leaders on the market for high-quality sapphire LED substrates. And the Flat Glass Sector is working with the Australian startup BluGlass on the development of low-cost glass-substrate LEDs.

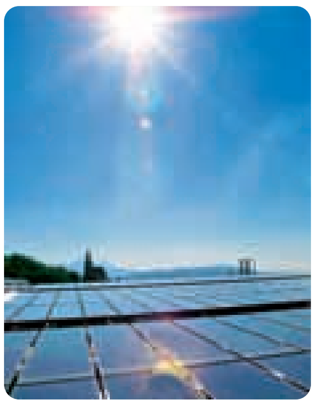
100 ENERGY-EFFICIENT HOUSES

In April 2007, Saint-Gobain Isover G+H and its partners Rigips and Weber launched a project entitled "100 Energy-Efficient Houses". This project involves renovating, over a two-year period, one hundred houses built before 1983 in Germany.
The project seeks to modernize the buildings from the point of view of energy consumption, while providing in-the-field training for contractors and tradespeople in energy optimization techniques.
The owners of the selected houses were more than happy to take part in the initiative, because half of the renovation costs were borne by the three project partners.

2. Promoting renewable energies

Through several of its product lines and R&D projects, Saint-Gobain promotes alternatives to fossil energies and makes an active contribution to the development of renewable energies. In summer 2006, Saint-Gobain opened its first renewable energies store, Greenworks, in the UK, and expects others to follow across the country soon.

Saint-Gobain is a major supplier of **products and solutions for the photovoltaic industry:** quartz crucibles for smelting silicon slabs, engineered abrasive grains for cutting them, fluoropolymer films for encapsulating photovoltaic panels, and high-efficiency PV Lite and Albarino glass.
Under a technology co-development agreement signed by Saint-Gobain in February 2006 with the Shell group, the joint company Avancis will start making photovoltaic panels at its production plant in Torgau, Germany in 2008.



Following an initial startup phase, the startup production capacity of 20 MW is expected to rise rapidly.
The photovoltaic panels made by Avancis will implement CIS technology, an innovative Shell-developed silicon-free process that involves depositing a very thin copper-indium-selenium layer on a glass substrate. The new panels achieve high electrical efficiency at very competitive production costs.
The Saint-Gobain Flat Glass Division will be contributing prime industrial know-how in thin-film deposition and glass transformation technologies. The new Avancis plant will be located in the immediate vicinity of Saint-Gobain Glass production lines at the Torgau site.

Solid oxide **fuel cells** use stacked functional-ceramic layers converting chemical energy directly into electrical and heat energy. By combining electricity generation and heat recovery (combined heat and power, or CHP), such systems can achieve energy efficiencies of around 80%, compared to 30% to 40% for classic organic fuel cell technologies and present-day gas- and coal-fired power plants. As it emerges from the prototype stage, solid oxide fuel cell technology can expect boom growth in the years to come. Saint-Gobain is actively involved in solid oxide fuel cell developments, handling ceramic core design from raw materials through to assembly.

On the wind power front, the High-Performance Materials Sector is developing long-life ceramic bearings with the same service life as wind turbine applications.

HIGH-PERFORMANCE MATERIALS INVESTS IN EUROPEAN CLEANTECH FUND

Saint-Gobain's High-Performance Materials Sector recently invested in the latest fund launched by Swiss venture-capital company Emerald Technology Ventures, which specializes in innovative technologies for sustainable development.
Over the last two years, the Sector's Nova project has been stepping up innovative capacity through partnerships with startups in construction, energy and sustainable development. Through involvement in the US venture capital fund NGEN and Emerald Technology Ventures, Saint-Gobain gets advance notice of promising breakthrough technologies, enabling it to launch, support or accelerate major innovation projects.

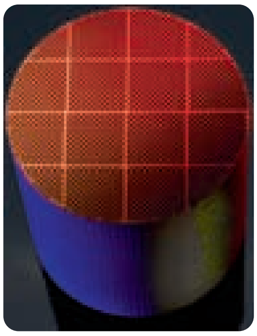
3. Designing cleaner vehicles

High-performance, lightweight automotive glazing

Compared to classic automotive glazing, heat-efficient solutions from Saint-Gobain Sekurit bring significant reductions in air conditioning demand and fuel consumption. An optimum configuration, with heat-reflective windshield and front side windows, plus extra-tinted heat-absorbent glass for the rear and rear side windows, reduces air conditioning demand by 2.4% and CO_2 emissions by 530 kg per 100,000 km.

Tinted and extra-tinted glass with heat-reflecting or heat-absorbing properties considerably improves climate-control comfort for vehicle occupants while effectively addressing environmental concerns for lower fuel consumption and thereby lower CO_2 emissions. And the thin automotive glass now beginning to appear on the market is lighter than traditional glass, which means it will help automakers meet their objectives for lighter vehicles consuming less fuel.

Major R&D efforts have been made to optimize recycling of automotive glass for more environment-friendly end-of-life processing, through the use of readily dismantlable modules or sub-modules, which make recycling more convenient and less costly.



Particulate filters

In late 2005, Saint-Gobain started up a line making silicon carbide particulate filters for diesel engines at Rödental (Germany), and a new plant is now to start production at Kofjo (Poland). The new filters are highly efficient in eliminating combustion residues; combined with advanced engine control technologies, they cut out 99.99% of the soot particulates (known to be a public health hazard) emitted by the engine. Sales release for the Saint-Gobain filters culminates a long-running Saint-Gobain R&D program that has produced many patents since 1998.

Particulate filters address a growing market: because of its high energy efficiency, the diesel engine appears to be one of the best medium- and long-term solutions for automotive power, provided pollution issues can be solved, specifically through filters. Successive regulations impose lower exhaust emission levels, which can only be met by fitting particulate filters. The European Parliament decision on Euro5/6 regulations for 2009 and 2012, the US EPA standards for 2007 and 2010, and Japanese standards for 2009, all point to widespread use of particulate filters. Saint-Gobain enjoys a leading position on this market today, and holds a major advantage in that it makes the high-added-value raw material for the ceramic filter: silicon carbine powder.

4. Facilitating drinking water supply, wastewater treatment and air purification

Water supply

Because of the very function they perform, Pipe Division products address a major sustainable development challenge, namely the supply of drinking water and the removal of waste water. The Division's first area of expertise was in the setting up of urban drinking water networks. Over the past twenty years, a new application has appeared. As the urban centers of developing countries expanded, their water supply had to be sought further and further afield. The Division produces large-diameter pipes, of up to two meters, which are used to transport drinking water over dozens, or even hundreds of kilometers, to major cities. In many countries, such pipes meet a vital need, and Saint-Gobain PAM has won many major contracts addressing this need. In 2007, Saint-Gobain HES (Germany) delivered 362 tonnes of pipe for Central Europe's longest viaduct, at Köröshegy, on the southern shore of Lake Balaton in Hungary. The viaduct is the last link in the M7 motorway from Budapest (Hungary) to Zagreb (Croatia). It stands on 16 pillars and spans 1,872 meters at a height of 80 meters.

Saint-Gobain products are particularly well suited for this application, because cast iron is an exceptionally safe and durable material, as hundred-year-old pipes in Prague or Montevideo attest. They require very little maintenance and can be laid in all types of soil. In addition, Saint-Gobain pipes feature easy-fit couplings for reliable connection by non-specialist personnel. From an environmental viewpoint, progress in ductile cast iron centrifuge processes has brought a 20% to 30% weight reduction in standard pipe products over the last 20 years, with an attendant drop in energy consumption, coke consumption and CO_2 emissions for the pipe manufacturing processes (see diagram in the section on the consumption of raw materials). In addition, a new active exterior coating has significantly increased the product service life.

In addition to pipe transport, the Pipe Division also offers services to local authorities, such as financial engineering, which includes approaches to banks, insurance companies and financial organizations in connection with project funding arrangements. This Division also maintains an active presence with major global financial providers such as the World Bank, regional development banks and European or Arab funds, and gives its clients the benefit of its up-to-date knowledge of these bodies and their procedures.

Water and air treatment

Saint-Gobain makes many products addressing water treatment applications (drinking water, swimming pool water and wastewater). For example, it supplies key components for ultra-violet treatment systems. The quartz tubes made by the High-Performance Materials Sector have the advantage of destroying bacteria without the need for environmentally dangerous chemical additives.

Ivoire® is an innovative PAM system for the management and control of underground water supply and drainage pipes, by means of no-energy RFID (radio frequency identification) chips.

In **air treatment**, the High-Performance Materials Sector has developed a photocatalytic air purification filter using a spinoff from Bioclean self-cleaning window technology. The new system features a quartz filter that destroys organic matter to remove smell, smoke, viruses, bacteria, etc. It is complementary to existing treatment and filtration technologies, and proves highly effective in interior applications.

5. Awareness campaigns

Community-level efforts

In response to the challenge of global warming, Saint-Gobain has adopted a proactive communications policy to raise public awareness on the dangers of CO_2 emissions from buildings.

ISOLONS LA TERRE CONTRE LE CO2.

Among the ten founding members of the French group *"Isolons la Terre contre le CO_2"* (Let's insulate the earth against CO_2), formed in late 2003, there were four Saint-Gobain companies: Isover and Eurocoustic (Insulation), Saint-Gobain Glass (Flat Glass) and Placoplâtre (Gypsum). The group's mission is to promote energy efficiency in the construction sector among public bodies, opinion leaders and the general public.

Saint-Gobain has also been directly involved in setting up the French **Effinergie** label for energy-efficient buildings, inspired by label schemes and standards in other countries (such as Minergie in Switzerland and PassivHaus in Germany and Austria). Effinergie has managed to mobilize organizations in all relevant fields (leading construction industry companies, government administrations, local authorities, banks, etc.) to spur regulatory developments on more energy-efficient buildings (new buildings and renovation work, through the introduction of energy performance diagnostics) and stimulate finance for energy efficiency initiatives through direct involvement from the banking sector.

In 2005, the French organization saw sister associations appear in Belgium (**Isoterra**) and Holland (**Spaar het klimaat**), at the initiative of local subsidiaries of Saint-Gobain Isover. Isover G+H has launched a similar program – **CO_2NTRA** – in Germany. Along similar lines, Saint-Gobain Isover Italia joined forces with other Italian construction industry professionals on **Isolando**, a 2007 nationwide information campaign on the dangers of CO_2 emissions from buildings. And in France, Saint-Gobain joined ***Club de l'amélioration de l'Habitat***, a renovation promotion association including government bodies and private companies, and **Promodul**, a trade association on energy efficiency and comfort for buildings.

In 2007, Saint-Gobain Isover Italia took part in the Casa Clima trade show on energy efficiency and sustainable development, showcasing the Multi-Comfort "passive house" concept developed by Saint-Gobain Isover. This concept exists in different variants for different European climates, and is actively promoted across the continent by local subsidiaries of the Saint-Gobain Insulation Division.

LAPEYRE LA MAISON... PARTNER ON THE EARTH TRAIN

Lapeyre La Maison... partnered the *Train de la Terre* (Earth Train), which visited 22 stations in major French towns from February 1 to 22, 2007.
The train was made up of a conference carriage and four exhibition carriages open to the public. The initiative was coordinated by AFICAR, the French agency for rural and agricultural information and communication, to spotlight the diversity and availability of everyday products derived from agriculture and forestry. The event offered a good match to the strong ecological commitment of Lapeyre La Maison... and provided an excellent showcase for its Wood Protect® product, a major innovation in long-life in-depth wood treatment.

The mission of the Building Distribution Sector

Because the Saint-Gobain Building Distribution Sector primarily addresses the building trade, it can play a key role in educating tradespeople on environmental aspects of selecting and using building materials.

One educational initiative along these lines is the full feature on sustainable development in every issue of the quarterly magazine published for Point.P trade partners. Over the last few years, Point.P has also set up a pay-access waste disposal service that encourages trade awareness on environment issues while offering improved safety and convenience.

Through its sales outlets, Saint-Gobain provides the general public with information on the environment. Lapeyre has launched several awareness-raising campaigns on wood and forests. These are promoted by the "Bilibois" character in specially dedicated in-store areas to encourage children and their parents to "change the way they look at the forest", thus learning to respect and preserve it.

WOOD-FRAME BUILDING WORKSHOP

"Welcome to Tomorrow's Market" was the slogan greeting building-trade visitors to the wood-frame building workshop run by Raab Karcher Germany with the Rosenheim Technical College from February 26 to 27, 2007.
The two-day event focused on the latest trends in the trade, industry and science of wood-frame construction.
Many major figures in wood, roofing, construction, insulation and energies were there giving hands-on demonstrations of systems and products. Though wood-frame construction is the number-one home-building technique in the USA and Scandinavia, the German market is only just emerging, and holds very strong growth potential. The event provided a wealth of useful information on the key features of this eminently sustainable construction method.

II. Our internal environment, health and safety commitments

Respect for others, for health, safety and the environment are at the forefront of the Group's management of its industrial, distribution and research activities. Saint-Gobain has instituted policies in the sphere of environmental protection and industrial health and safety, which apply to all the Group's businesses.

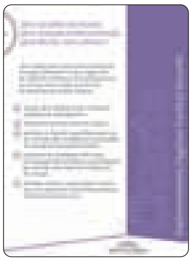
1. EHS system

1.1 Group policy

Saint-Gobain's approach to environment, health and safety matters is derived from three key documents, which together contribute to building a common EHS culture.

In its **Principles of Conduct and Action** (see part IV), the Group requests that its subsidiaries *"actively promote the protection of the environment"* and *"take particular care to adopt all measures necessary to ensure the best possible protection against health and safety risks in the workplace"*, both for Group employees and for contractors working at Group sites. Building on the foundation provided by the Principles, two other documents – the EHS Policy and the EHS Charter – define and specify the Group's policy in these areas.

The Group's **EHS Policy** is based on respect for the individual and his or her environment. It invites each Saint-Gobain employee to commit to reaching definite targets. EHS policy is outlined in a brochure entitled "Charter and Resolutions", issued to all personnel holding positions of operational responsibility, and to facility managers in particular. It is also published on the Group's intranet portal. The brochure, reissued in 2007, sets out principles of conduct and action relevant to environment, industrial health, and safety.



The **EHS Charter**, an offshoot of the EHS Policy, is on display at all Group sites. It aims to get the Group's roughly 206,000 employees working towards three key objectives: zero work-related accidents, zero occupational illness and zero non-recovered waste. To date, the Charter has been translated into 30 languages.

EHS information is available from three other sources, in addition to the above publications.

The **EHS Reference Manual** is a guide to all Group EHS tools, providing a step-by-step walkthrough of a functional EHS management system, encompassing identification and planning, implementation of the action plan, evaluation and control procedures, and remedial action/adjustments. A tailored version of the Manual has been produced for the Building Distribution Sector, taking into account its particular features.

The **EHS Handbook** is a compilation of best practices found within the Sectors and is aimed at senior executives across the Group. It is intended to distill the key EHS policy guidelines and associated management systems used within Saint-Gobain, as well as the EHS tools, standards and recommendations to be applied in the field.

Last but not least, the **Group's EHS intranet portal** provides convenient access to information and interchange facilities. It was fully redesigned in 2007, and is regularly updated to include new tools, information and documents, including those mentioned above, enhancing the responsiveness and efficiency of the EHS organization.

General Management is responsible for setting priorities and quantitative objectives for the entire Group (see text box), in the areas of health (deploying standards), safety (reducing the incidence rate of workplace injuries) and environmental protection (optimizing the use of materials and reducing emission levels). These objectives are transposed by the Sectors and Delegations in accordance with the conditions applicable to their business. Each facility then uses the objectives as a reference framework from which to design an annual EHS policy, taking into account the specific constraints faced by it. The integrated Environment, Health and Safety approach provides a comprehensive overview of these three inseparable subjects, leading to greater effectiveness.

GROUP EHS OBJECTIVES FOR 2010

EHS objectives for 2008-2010 were announced by the Saint-Gobain CEO to Group managers in September 2007, and discussed at the International EHS Committee Meeting on November 29 and 30, 2007. Key points are:

- Safety: Overall LTI/D1 safety indicator below 3.5, with an LTI/D1 target of 7 for Building Distribution and an LTI/D2 target of under 7 for industrial Sectors. In addition, the SMAT (Safety/Senior Management Audit Tool) system is to be rolled out group-wide starting in 2008.
- Health: Continued rollout of standards and recommendations on industrial health covering noise (NOS), toxic substances (TAS, consistent with European REACH regulations) and ergonomics (PLM).
- Environment: Step-up of ISO 14001 certification efforts, reduction in water consumption, waste for ultimate disposal, and CO_2 emissions. As well as reducing process emissions, action will be phased in to cover goods transport and buildings. A four-fold reduction in CO_2 emissions from Saint-Gobain service-sector buildings is targeted by 2040. This objective, in line with Saint-Gobain's business focus on the construction industry, is to be covered by an action plan announced in early 2008.

1.2 Involvement from temporary personnel, subcontractors, suppliers and clients

The Saint-Gobain Principles of Conduct and Action specify that "Group companies will take all measures needed to ensure optimum health and safety protection at work."
This policy concerns **temporary workers** as well as Saint-Gobain employees. The "Temporary Staff and Safety" pilot projects run in 2007 at Chalon-sur-Saône in Burgundy achieved a clear improvement in LTI/D safety scores across temporary workers in this employment region, and will be extended in 2008. Specific points include methods and procedures on induction and support for temporary workers. A working group has been set up to extend good practices across all Saint-Gobain's French units. In addition to existing welcome packs and information sessions, the scheme specifies a site correspondent, with a counterpart at the temporary employment agency, to oversee safe and smooth take-up of temporary personnel duties.

Reciprocal undertakings by Saint-Gobain and temporary employment agencies will be set out in a special Health and Safety Charter.

The Saint-Gobain health and safety policy also extends to "employees of **outside contractors** working at Group sites" and to **suppliers.** A number of initiatives have been taken in this regard. Saint-Gobain Flat Glass has set up a working group to examine ways to ensure safety for suppliers' and contractors' personnel, and to define responsibilities between order-giver, Purchasing Department, suppliers, contractors, plant operator (i.e. site manager or delegate) and the EHS Department. The aim is to achieve optimum oversight of worksites (through audits, corrective measures, disciplinary measures, and the appointment of a person in charge of oversight) and to step up the focus on approved suppliers. EHS departments will be submitting satisfaction questionnaires to the purchasing departments on project completion. The program will be rolled out in France in 2008, then to the rest of Europe in 2009 and the rest of the world in 2010. A Purchasing Charter, based on the Principles of Conduct and Action with specific application to the purchasing function, will encourage buyers to make proper allowance for health and safety factors in their supplier selection processes. In 2008, partner suppliers and contractors will receive a Suppliers Charter setting out Saint-Gobain's preference for companies that fully subscribe to principles of sustainable development and health and safety at work (see section IV).

Saint-Gobain also endeavors to see that its EHS policies are taken up by clients. For example, for the third year running, the Point.P group organized the "100 minutes to save a life" operation, in conjunction with the Red Cross and the OPPBTP (consultative body on accident prevention for the construction industry). Participants are familiarized with life-saving gestures in the context of the construction industry.
The 100-some meetings led by instructors from the French Red Cross in 2007 enabled roughly 5,000 persons to be trained, all at Point.P outlets.

1.3 The methods employed

The EHS Department provides EHS management tools to help sites develop their own EHS measures consistent with Group policy.

- **Management methods**

The Group recommends certain management approaches intended to deliver the best results in terms of environmental protection and industrial health and safety. The Sectors and Delegations, and then the companies themselves, design and develop their own tools, taking into account the specific constraints of their business.

The WCM (World-Class Manufacturing) method is a standards-based approach to manufacturing excellence, currently being rolled out across all Saint-Gobain industrial Sectors.

WORLD CLASS MANUFACTURING (WCM)

WCM targets manufacturing excellence compliant with world standards, addressed from two main angles: EHS and risk prevention. Following a series of pilot projects, in particular within the Gypsum Division and the Brazil Delegation, a group-wide project followed in 2007. WCM programs driving continuous improvement and operational performance have substantially improved safety and industrial performance, rapidly having a positive impact on financial results.
A report on WCM programs was prepared in 2007. WCM covers some 200 Saint-Gobain sites so far, and the good results achieved have prompted a decision to proceed with rollout across all Saint-Gobain's industrial operations.

In 2004, the Group initiated across-the-board deployment of the "5S" management method as part of the WCM framework. Already in use for several years at some Group facilities, this method has proven very effective in raising standards of safety, quality and productivity.

Its name comes from five Japanese words: *seïri* (clear out), *seïso* (clean), *seïto* (organize), *seïketsu* (formalize) and *shitsuke* (maintain). Implementing the 5S method in support of a major renovation process gives excellent results, as witnessed at the Saint-Gobain Envases plant in Chile, for example, which reported zero accidents during the program, and zero accidents since.

The Saint-Gobain Group's EHS standards and recommendations

The above global management methods are used alongside more target-specific approaches. These include the ***standards*** and ***recommendations*** formulated by the Group's EHS network in response to given EHS issues. Application is either compulsory (as in the case of ***standards***) or recommended (as in the case of ***recommandations***), and various aids (including application guides, procedures, training kits and IT tools) have been developed and made available to assist with implementation. Standards take the form of risk evaluation methodologies common to all personnel. They allow a given risk to be quantified and controlled subject to the same bases of prevention at all Group sites, regardless of the country concerned and local legislation. They are rolled out group-wide simultaneously. They are presented below under the relevant headings: for example, the Toxic Agent Standard (TAS) and Noise Standard (NOS) are dealt with in the section on industrial health and the accident analysis standard is discussed in the section on safety. These methodological approaches are shared by EHS personnel in the various Sectors, Divisions and Delegations and may be adapted or even enhanced. For example, the Pipe Division has compiled a manual detailing all the industrial health and safety issues associated with its operations.

An efficient network

The EHS structure is **matrix-based, mirroring the organization of Saint-Gobain itself.** Its activities are coordinated by a central department, which reports directly to General Management. Within each Sector, one or more persons are appointed to design an EHS policy tailored to the specific context of the Sector's operations, and to supervise implementation. Similarly, within each General Delegation, a coordinator is designated to oversee the implementation of Group, Sector and divisional EHS initiatives and to ensure compliance with national regulations. These coordinators work with a team of correspondents within the various companies and facilities. Together with the company's EHS Department, these professionals form an efficient network supporting operational managers in the development and implementation of EHS policies. This organizational structure enables the EHS function to remain close to business operations, respond to specific national circumstances and achieve compliance with overall objectives.

The International EHS Committee, composed of the Sector and Delegation-level coordinators, meets twice a year to take stock of EHS policies, review the tools provided to aid policy implementation by the network, and share best practices. Similar meetings are increasingly organized within the Sectors and Delegations to promote the exchange of information concerning their specific activities or local conditions.

Within the EHS network, doctors and industrial hygienists also meet to set objectives and collaborate on the design of preventive methodologies and tools aimed at enhancing health in the workplace. The outcomes of these efforts are then communicated to the Group.

In addition, **regular meetings are held on matters of general interest in the sphere of EHS.** These meetings involve project specialists associated with, for example, the accident analysis tool (currently under development), to which a specific working group was assigned throughout 2007. Another such project is the database of chemical substances used within the Group, which will drive compliance with the new European chemicals regulation, REACH (Registration, Evaluation, Authorization and Restriction of Chemicals). (See section on exposure to toxic substances.)

These meetings, in conjunction with daily exchanges and the use of EHS-related information in various forms, enable EHS teams at all Group levels to work successfully in a network. This ensures that the Company's EHS messages and tools are consistently passed on in ways that build synergies between businesses and countries.

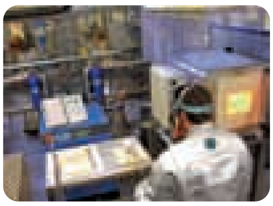
Collaboration with Research & Development centers

Collaboration between Saint-Gobain's Research & Development centers and the EHS network operates at three levels and has a clear-cut objective: the enhancement of the Group's performances with respect to environmental protection, and industrial health and safety.

- **Putting EHS at the heart of product innovation**

Product creation originates within the Research & Development function. From the outset, R&D projects factor in the impacts on human health and on the environment resulting from product manufacturing, the use of products throughout their entire life cycle and end-of-life disposal.

- **Putting EHS at the heart of process innovation**



The Research & Development function also plays a role in taking EHS compliance to a higher level with respect to processes used within the Group. The Saint-Gobain Recherche and Saint-Gobain Conceptions Verrières research centers regularly join forces to improve the environmental performance of glass-melting processes: optimized combustion to minimize nitrogen oxide (NO_X) emissions; fume treatment, energy saving and carbon dioxide (CO_2) abatement techniques; and recycling of products and process waste. Similar research work is also conducted in the sphere of non-glass activities, for example, with respect to the quantity of water used in the plaster manufacturing process (Gypsum Division).

- **Working together to meet new EHS challenges**

The best example of this type of input to date is the collaboration since 2005 on the risks posed by ultra fine particles. Although Saint-Gobain is not a large user of these particles, some of the Group's R&D projects require their utilization. Accordingly, the Group has compiled an application guide for Research & Development teams with a view to limiting the handling of ultra-fine particles and prescribing the procedures to be followed during handling operations (authorization restricted to selected centers subject to rigorous monitoring, introduction of stringent precautionary measures, etc.). (See section on exposure to toxic substances.)

EHS reporting

Since 2004, the Group has used a centralized EHS reporting tool called Gaïa. (See section on reporting methodology.)

The audit system

Saint-Gobain's audit system comprises three approaches, two initiated by the EHS Department (EHS cross-auditing and self-diagnosis) and one by the Internal Audit Department (internal auditing with self-evaluation questionnaire).

- **EHS audit**

EHS audits offer the most in-depth and reliable evaluations of EHS performance. Audits are performed on a cross-Sector basis by teams from outside the Sector concerned who have thorough knowledge of Saint-Gobain's EHS approach. These "integrated" audits incorporate all three aspects (environment, industrial health, and safety) and are based on specifications consistent with the OSHAS 18001 and ISO 14001 standards.

A "20-step" audit is used for industrial businesses, and a "12-step" audit, adapted from the "20-step" version in 2005, for distribution operations. In 2007, 285 "12-step" audits and 280 "20-step" audits were conducted. In the case of the Group's industrial sites, audits are performed at three-year intervals. In 2007, the program continued, with sessions organized in about 30 countries, most recently in Mexico and Thailand.

EHS auditors are drawn from a pool of specially trained, experienced managers, not only from the EHS field, but also from other areas like human resources, quality assurance and risk management.

The aim of audits is to produce practical recommendations. The implementation of the resulting action plans is overseen by the site manager and the local EHS manager, with the support of the EHS Department at the Delegation level or, as in the case of France, at the Sector level. The most common recommendations concern EHS management, technical issues and training requirements.

In 2007, no significant changes were made to the audit approach. The emphasis placed on enhancing the skill-set of auditors (over 660 across all Delegations) since 2005 was maintained through a professional certification course for auditors taught by outside consultants specialized in audit methodology and by seasoned in-house auditors providing expertise on the Saint-Gobain internal auditing process. Audit developments during the year included the start of the integration of Gypsum operations and the introduction of more frequent audits for the Building Distribution Sector, leading to synergies between companies, notably between Lapeyre, Point.P and Raab Karcher.

The audit quality assessments begun in France in 2006 were continued in 2007. The assessments performed at the end of each site audit revealed a high satisfaction rate, but also pinpointed some areas where improvements could be made.

- **Self-diagnostic tools**

Self-diagnostic tools are used for general internal control purposes. The approach is based on a detailed list of questions and an evaluation grid, and is intended to provide site managers with a straightforward and rapid overview of their facility's EHS situation.

Saint-Gobain uses two types of self-diagnostic tools, one for industrial sites and the other for distribution operations. The first diagnostic tool type was overhauled in 2005 to make the software more user-friendly and to tailor its content more closely to the needs of the operations monitored. The second was tested during 2006 under a pilot program in France and has now been made available to all the Delegations. Unlike the industrial self-diagnostic tool, the software for distribution operations is intended for small-scale facilities (fewer than 50 employees) and factors in two features specific to the Building Distribution Sector: the presence of customers on site and a more dispersed management structure that may be less hands-on and more consensual. This issue is addressed in composite indicators (see section on serious accidents), used by all sites to feed back information, in particular self-diagnosis data.

- **Internal control: self-evaluation questionnaire**

Saint-Gobain decided to assess internal control across all its subsidiaries by means of a self-evaluation questionnaire. All Group companies would be asked to complete a questionnaire with 350 questions on 12 internal processes, including EHS. This would enable subsidiary managers to evaluate control of their companies and set up action plans as required. The questionnaire is consistent with the self-diagnosis.

OBJECTIVE FOR 2008-2010

Saint-Gobain will be introducing a systematic 20-step audit to be carried out in all industrial Sectors every three years, and a 12-step audit in the Building Distribution Sector, adapted to individual Sector units.

Certification

The Group remains committed to obtaining environmental certification at "concerned sites", and this commitment appears in the new EHS objectives for 2008-2010, as announced in late 2007. As explained in the Group's reporting methodology, "concerned sites" include facilities subject to permit requirements and sites whose environmental impact is deemed significant by the Management of the businesses and companies responsible for them.

However, some facilities, including Building Distribution sites (which are mainly sales outlets), are also encouraged to incorporate environmental certification into their action plans. At December 31, 2007, close to 39% of concerned sites, outside the Gypsum Division, had obtained **environmental certification** to ISO 14001. The target set in 2004 for 2007, before the Gypsum business joined the Group, was 40%. Some sites included in the safety reporting have little if any environmental impact. Close to 52% of sites have obtained **quality certification** to ISO 9001:2000, ISO 9002, QS 9100, or other standards. This figure is down on 2006, because many certified sites (in the Reinforcements and Flasks businesses) were sold in 2006 and 2007.

Although the number of sites with health and safety certification has increased, with 19 sites certified in the Gypsum Division in particular, the year-on-year figure is stable due to the sale of various companies in 2007. The Packaging Sector's target of 100% of sites certified to OSHAS 18001 has not been reached, and the target has been adjusted to 80% by 2010, from around 30% of European sites certified so far. The Flat Glass Sector is also extending its certification program across Saint-Gobain Glass, Sekurit and Saint-Gobain Glass Solutions. At Saint-Gobain Glass Solutions sites in France, a hundred people have been trained in environmental regulations. In the USA, the High-Performance Materials Sector wishes to initiate a wide-reaching ISO 14001 certification program across all Worcester campus facilities.

TRIPLE CERTIFICATION FOR RAAB KARCHER BAUSTOFFE GMBH

All Raab Karcher outlets in Germany now hold quality, safety and environmental protection certification, issued by the German technical inspection organization TÜV SÜD.
Raab Karcher Baustoffe GmbH completed triple certification nationwide in Germany (except for the Balzer company) in March 2007, when the organization TÜV SÜD Management Service GmbH handed over official certificates marking compliance with the ISO 9001 quality management standard, the ISO 14001 environmental management standard and the OHSAS 18001 safety management standard to Raab Karcher. Certification covers the company's headquarters in Frankfurt-am-Main and its 220 or so outlets throughout the country. This is the first triple certification obtained by a construction materials distribution company in Germany.

OBJECTIVE FOR 2008-2010

ISO 14001 certification will be extended to over 80% of sites concerned by 2010. The exact scope will be specified by Sector or Division on the basis of identified environmental criteria (water consumption, energy consumption, emission levels, waste volume, etc.).

Financial resources

Saint-Gobain's environment-related spending in 2007 totaled €146.6 million, including the following main items:

- Salaries and other payroll expenses for personnel working in environmental management (€58.4 million in 2007). This does not include salaries for personnel in charge of waste sorting, water treatment operations or maintenance of gas treatment equipment.
- Spending to obtain or renew ISO 14001 or EMAS environmental certifications (€1.8 million in 2007). This includes all certification-related expenses, outside consultants' fees, internal and external training, work on developing and upkeeping EMS and ISO 14001 systems, audits, and certification organization and review meetings.
- Environmental taxes, including environmental management taxes paid to local authorities or associations such as water management boards (€4.9 million in 2007).
- Insurance and guarantees, including insurance covering accidents and pollution with a potential environmental impact (including pollution outside the company's property), and guarantees against environmental risks such as soil pollution (€31.8 million in 2007).
- Environment-related fines, including all fines levied by authorities as a result of non-compliance with regulations or recent environmental incidents (€0.4 million in 2007).
- Cost of environmental incidents, including expense of repairing environmental damage arising from recent incidents, and, where applicable, the cost of bringing systems into compliance (€0.9 million in 2007).
- Cost of technical measures, including cost of measuring emission levels (air, groundwater, noise outside Saint-Gobain facilities), cost of measurements carried out by independent laboratories, and cost of impact and hazard studies requested by authorities to establish, complete or renew

operating permits and environmental authorizations (€6.3 million in 2007).
- Cost of soil decontamination, rehabilitation of unused sites and miscellaneous items (€11.5 million in 2007).
- Budgets allocated to environment-related R&D projects and investments totaled €30.6 million in 2007.

Investments and investment portions on environmental protection, including spending on voluntary initiatives and programs to ensure compliance with applicable legislation and regulations, totaled €107 million in 2007.

When the Group considers that it is exposed to an environmental risk, a provision for the estimated future cost is recorded in provisions for other liabilities and charges. These provisions totaled €146 million at December 31, 2007.

Training

Training offers a unique opportunity to convey the knowledge essential for the fulfillment of EHS policy objectives to all levels of personnel (senior executives, EHS managers, EHS auditors, operational managers, blue-collar workers and so forth). Environment, health and safety matters accounted for about 21% of training hours provided in 2007.

Each year, the Group updates the core curriculum defined for all training courses, which includes different types of content for the various target audiences. The implementation of the training sessions is entrusted to EHS representatives within the Sectors and Delegations, who are best placed to adapt the material in line with the specific prevailing local conditions and technical imperatives. The training sessions offered deal with broad management issues, as well as targeted areas such as risk identification, industrial health and environmental compliance solutions, and audit performance and feedback. An EHS-specific training program has been developed by the Group Training Department, in close collaboration with the EHS Department. The program takes account of the imperatives of the EHS network, senior executives, production management, maintenance/new works teams and distribution management. It aims to provide participants with the knowledge and skills required to undertake their tasks.

In 2007, the Packaging Sector set up a self-training system in the USA.

SMAT

SMAT (for Safety/Senior Management Audit Tool) is an observation- and discussion-based method for raising awareness on the importance of behavior in ensuring safety for oneself and one's team. It has produced significant safety progress during several years' implementation as part of an integral safety management system at the Gypsum Division, and top management has now decided to phase it in across all Sectors. Rollout is therefore included in the new Group EHS objectives for 2008-2010. The Insulation Division launched the system at the start of the year. The CEO and VP for human resources and international development have already received special training in the method, as have various company and Sector managers in human resources, communications and training. And a SMAT module has been included in various courses run by the Group Training Department.

Communications

Events

The **"Health & Safety Diamonds"** awards have been organized once a year since 1990. The sites with the best results in health and safety are recognized and their best practices shared with the rest of the Group. This event promotes a healthy rivalry for higher performance and provides an opportunity for fruitful exchanges among all participants. In 2007, 23 units in 14 countries won awards for health and safety progress achieved in 2006. The Point.P Languedoc-Midi-Pyrénées region (1,650 employees at 136 sites) was awarded a Diamond in recognition of the quality-safety-environment (QSE) certification it obtained in 2006, the first award for a unit of this scope. Some Delegations, including the United Kingdom and Italy, and some companies, including Lapeyre, have set up similar ceremonies of their own to give their teams added encouragement.

An International Health and Safety Day was held in October 2004 and again in June 2006, to raise awareness among Saint-Gobain employees and outside contractors.
These events, launched by central EHS and Communications Departments prompt local initiatives (such as workshops, conferences and games) across sites group-wide, with input from employees, workplace health and safety committees, and representatives of consultative bodies, among others. The event is also intended to galvanize managers to take ever more vigorous action in support of health and safety through speeches, field visits and involvement in specific activities. Events of this kind are also run by certain Delegations.
At the 2007 Group Executives Seminar it was decided to run a further International Health and Safety Day on 15 May 2008,

this time covering a third theme – environment – consistent with the Group's priority attention to environmental matters. At the 2007 **"Communication Stars"** ceremony, on December 6, 2007, 20 teams from various Group companies won awards for outstanding communications initiatives.

In EHS communications, the logo proposed by Saint-Gobain Weber Italy for the forthcoming International EHS Day was selected from 72 entries. And awards were also won by the Safety Program project from Rigips in Turkey, and the Sécuritude project from SEPR in France.

NATIONAL HEALTH AND SAFETY DAY IN CHINA

A national Health and Safety Day was held on June 7, 2007 in China. World environmental problems were debated and various activities run to drive home the importance of environment, health and safety issues at work and at home. The winning entrant of the EHS questionnaire contest organized within the China Delegation would attend a first-aid training course organized by the Hong Kong Emergency Services.

ENVIRONMENT DAY AT GROUP HEADQUARTERS

On Thursday December 13, 2007, personnel working at the Saint-Gobain headquarters in La Défense were invited to an environment exhibition. The objective of this initiative was to explain the environmental approach at the headquarters site, which applies Group EHS policy just like any other Saint-Gobain site.
The exhibition focused on the main environmental issues relevant to office work: energy consumption, waste recycling (paper, electrical and electronic devices), paper consumption, use of detergents, etc.
As well as setting out the environmental management approach adopted by the headquarters site, the event also sought to educate personnel on simple everyday measures, summarized in a flyer handed out at the site entrance. Stickers were posted up in common areas to remind employees to switch off the lights.
The event was attended by the Saint-Gobain CEO, to emphasize the fact that environmental protection is a fundamental Saint-Gobain value, formally expressed in its Principles of Conduct and Action.

- **In-house publications**

Every month, at least three or four newsflashes on EHS matters are published in the weekly newsletter *Le Pont* (received by all managers), in the monthly magazine *Le Mois* (issued in 38,000 copies in four languages), and on the intranet. And since January 2005, the EHS Department has been publishing a dedicated EHS newsletter called *EcHoeS*.

The Delegations and Sectors also include EHS information in their own internal communication publications. The Benelux, India, Italy and United Kingdom Delegations, among others, also publish specific EHS newsletters, as do the High-Performance Materials Sector and a number of companies, including the Lapeyre Group, SGBD UK & Ireland and SGG Italy. Communication is nonetheless strongest at the site level because, like training, it plays a central role in performance enhancement.

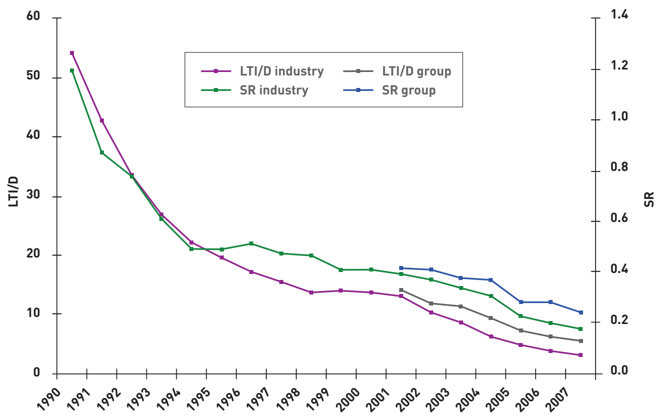
2. Steps taken and results achieved in 2007

2.1 Safety

LTI/D and SR readings

As part of its safety management process, Saint-Gobain has used a number of specific indicators to monitor its progress and performance in the sphere of safety for several years now. For 2007, the Group LTI/D (lost time injury/days for every million hours worked) in excess of 24 hours stood at 5.2, down by nearly 12% on 2006 and by nearly 27% on 2005.

The severity rate (SR) was 0.24, 0.4 points down on 2006. LTI/D scores improved in four out of five Sectors (remaining steady in the fifth, which already reports the lowest score), and in almost all Delegations



- **By Sector**

The Building Distribution Sector's LTI/D reading remained on the improving trend observed in recent years, dropping from 10.9 to 9.6 (down 45% from the 2003 level). The Sector's SR fell to 0.37 from 0.44 in 2006.

The industrial Sectors posted even larger decreases in their LTI/Ds, with the average reading down by more than 64%, from 8.5 to 3.0 since 2003. The SR was 0.17, compared with 0.2 in 2006.

The Sector registering the greatest improvement in LTI/D in 2007 was Packaging, with a 35.7% drop of 2.5 points, achieved largely through reinforced 5S practice, development of health and safety training (with e-meetings in France, e-learning in the USA, etc.), and increasingly widespread use of predictive indicators.

Once again, the best LTI/D score was achieved by the High-Performance Materials Sector, at 1.7, steady with respect to 2006. LTI/D improved by 0.6 points on 2006 in the Construction Products Sector and by 0.3 points in the Flat Glass Sector.

- **By Delegation**

Most Delegations improved their LTI/D readings in 2007, and very substantially so in many cases. The greatest improvements were reported by Spain, Portugal & Morocco (from 7.4 to 5.9) and Italy & Greece (from 4.8 to 2.7). The best LTI/D was again in Brazil & Argentina (1.5). Three out of 14 Delegations reported a slight deterioration: from 4.4 to 4.6 in Benelux owing to new acquisitions in the Building Distribution Sector (LTI/D for industrial operations in Benelux fell from 4.6 to 3.5); from 5.3 to 6.0 in Nordic countries (despite a significant improvement in LTI/D for industrial operations, from 5.5 to 4.7); and in Romania, Bulgaria &Turkey.

In all, 10 Delegations (change in scope with respect to 2006) reported LTI/D readings under 5.0: Benelux, Italy-Greece, UK-Ireland, USA, Mexico, Poland, Germany & Central & Eastern Europe, Asia, India, and Brazil-Argentina. Sustained efforts in France brought LTI/D down from 10.4 to 9.6.

Serious accidents

There were fewer serious accidents in 2007 than in 2006. Fatal accidents totaled nine among Saint-Gobain employees (compared to eleven in 2006), eight among contractor personnel (nine in 2006), zero among temporary workers (one in 2006) and zero among third parties (two in 2006). There were eight non-workplace deaths (five among Saint-Gobain employees and six among contractor personnel) and nine deaths on the way to or from the workplace (six among Saint-Gobain employees and three among contractor personnel).

The improvement owes much to the Serious Accident Plan, launched in September 2006 by General Management to step up prevention of the most significant risks. The plan uses resource indicators (composite indicators) to assess the efficacy of key actions. The Serious Accident Plan was drawn up in close consultation with EHS managers at the Sector and Delegation levels. It has three central aspects: the consolidation of prevention-related information, the structuring of communication channels and the management of outside contracting operations. The plan was rolled out in 2007 under Delegation responsibility in most countries, with support from the EHS function.

Mobilization at Sector level included a Flat Glass initiative with a working group on accidents involving heavy lifting. An audit system was introduced across all Sector sites worldwide to determine and catalogue good practices. Selected good practices were made compulsory, and an action plan was launched to ensure their effective implementation at all sites. Sites will undergo a repeat audit in 2008.

Despite the progress achieved, the number of fatal accidents remains unacceptable, and demands priority attention. For this reason the entire Saint-Gobain management is more determined than ever to reach the only acceptable safety target: zero accidents at work.

NEW IN 2007: ROLLOUT OF COMPOSITE INDICATOR AND RELEASE OF RISK ASSESSMENT SOFTWARE

A new system – the composite indicator – was introduced in 2006 and rolled out in 2007. It complements the LTI/D reading, a key performance indicator, to assess the work and resources implemented at each company to improve health and safety management. It is composed of several parameters that can be assessed with the least possible subjectivity, and that are easily measurable by the sites and controllable during audits (number of EHS audits performed at the site, causal analysis of each accident on record, risk evaluation based on the Saint-Gobain methodology for each perceived threat and each employment position/task, etc.). The final outcome, which is a combination of these parameters, gives a general indication of progress made with respect to industrial health and safety compliance at the site.
Two other new tools, on risk analysis and accident analysis, were provided to EHS departments for implementing this plan, and both now figure among the Group EHS standards. Saint-Gobain recently released a software package to support implementation of the global risk assessment standard. This software assists in identifying dangers, quantifying related exposure levels and grading potential health and safety risks at Saint-Gobain sites (or equivalent units, in distribution) with a view to determining priorities and action plans on risk reduction and control. A web-based system will be developed in 2009. The aim is for the system to cover all Saint-Gobain sites by 2010 (EHS Plan 2008-2010), consistent with fulfillment of global objectives on accident rate reduction.

The Millionaires' Club

The Millionaires' Club, launched during the March 2004 "Health & Safety Diamonds" awards (see section on Events), brings together entities (sites or groups of sites) with the highest safety performance.

At December 31, 2007, the Club had 101 member-sites. Of these, 45 had clocked up more than one million hours worked without a lost time injury caused by an accident, 52 smaller sites had sustained this performance for over five years, and 4 sites achieved both feats: a million hours and five years.

Millionaires' Club

Members at December 31, 2007

Sector	Sites > 1 million hours worked without lost time injury	Sites > 5 years without lost time injury	Sites > 1 million hours worked without lost time injury and > 5 years without lost-time injury
High-Performance Materials	22	20	1
Construction Products	10	18	3
Flat Glass	11	12	0
Packaging	2	2	0
Total	**45**	**52**	**4**

2.2 Industrial health and safety

Because the Group's operations entail industrial processes using mineral and chemical substances, part of Saint-Gobain's employee population is exposed to risks. The industrial health initiatives and innovative remedial solutions developed by the Group seek to minimize such risks.

Noise exposure

The Group's industrial processes involve multiple and varied sources of noise, including cooling systems, machine tools and furnaces. Collective and individual protective action against noise exposure has been taken at each site.

In 2004, the Group took anticipatory action to comply with the new European Union Directive on the measurement and reduction of noise levels in the work environment by introducing its own NOS (NOise Standard) program. NOS defines a process for detecting, measuring and controlling potential sources of noise exposure in the workplace. It was rolled out to the entire Group, within and beyond Europe, in 2005 and is intended to protect all employees and contractors. Based on the indicators derived from the standard, priority action plans and monitoring and control processes can be set up over the long term. The standard is applicable to all Group companies, regardless of the requirements of national law (which it may sometimes exceed), resulting in a harmonized approach across the Group. The method can be applied to identified homogeneous noise-exposure groups, ensuring more precise measurement of exposure levels and better group-wide harmonization. Outcomes are channeled through the Gaïa reporting system in matrix form and are classified in accordance with the exposure level (high, medium or low).

A training kit has been designed to assist with the local deployment of the NOS standard, which is currently being rolled out in businesses acquired over the last three years.

OBJECTIVE FOR 2008-2010

Each Division will be setting targets for lower exposure thresholds by 2010.

Exposure to toxic agents

The Group's operations entail the use of basic materials, which are transformed and processed to create high-technology products. During such processing, exposure to mineral dust and chemicals may arise. The Group has introduced a common approach for measuring and controlling the related risk.

The TAS (Toxic Agents Standard), drawn up in 2004, provides a framework for identifying, assessing, eliminating or controlling potential sources of exposure to toxic agents in the workplace. As with the Group's other standards, application guidelines are provided. The first of the four TAS application guidelines concerns the measurement of crystalline silica exposure using a common methodology, designed during a pilot project in 2005 and now in application (crystalline silica measurement kit issued to all companies, and employee training programs in operation). Each facility where silica dust has been identified as a risk factor will be required to monitor its employees' exposure, in accordance with standards stricter than those specified by local legislations. Through its trade federations, Saint-Gobain played an active role in crafting the European agreement of April 25, 2006 on "Workers' Health Protection through the Good Handling and Use of Crystalline Silica and Products containing it". Negotiations were held through the Negotiation Platform

on Silica (NePSi) and brought together the European Union, industrial companies and trade unions in discussions covering the protection of workers' health and the minimization of exposure to respirable crystalline silica (RCS).
Since 2004, three other application guides have been issued:

- Guide to handling of nanomaterials in R&D centers, entitled "Handling Nanomaterials in Saint-Gobain R&D Facilities: EHS Policy and Guidelines". In response to growing international concern regarding the EHS risks posed by nanomaterials, the Group set up a cross-functional watch group composed of R&D and EHS experts at end-2004. In the absence of regulations, the watch group was formed on the basis of the precautionary principle and was tasked with collecting and disseminating all available information on the subject, with the subsequent development of a procedure for the safe handling of nanomaterials at R&D centers. This procedure was formalized in the above-mentioned application guide. The guide dealing with nanomaterials, application of which is compulsory, recommends the assessment of the risk associated with each handling operation, the acquisition of equipment specifically designed for the handling of nanomaterials, and the introduction of procedures for the management of nanomaterials. R&D centers that wish to use nanomaterials are required to submit a request for registration or authorization, depending on the type of nanomaterial concerned. In addition, a person must be appointed to oversee the application of the procedures and to liaise between each center and the watch group. The guide on the handling of nanomaterials was produced jointly by EHS, medical and R&D teams, and will be adapted for use by production sites in due course.
- Guide on the use of fibrous materials, stipulating prevention rules applicable to the use of fibrous materials contained in processes, equipment, systems and buildings. A Group database was published online in 2007 by the EHS function, with support from Saint-Gobain Conceptions Verrières. It primarily addresses technical users, engineering teams and design offices, in all Sectors and Divisions. On October 1, 2007 Saint-Gobain imposed a group-wide ban on using any fibrous material not listed in the database.
- Guide on construction, renovation and maintenance of melting furnaces.

The Sectors and Delegations have implemented a number of risk-reduction solutions that are appropriate for each business. The Toriman system, implemented by the High-Performance Materials Sector, meets all TAS-related requirements: it records all substances used by the Sector and provides information and recommendations for each product family based on its level of hazardousness and the way in which it is used. This might concern product substitution or, where this is not possible, the provision of appropriate individual protective equipment for compulsory use.
It is planned to integrate Toriman along with risk assessment software in an online system for rollout across Saint-Gobain industrial businesses from 2009.

The issue of wood dust mainly concerns Lapeyre. Measures to reduce the exposure of Lapeyre's employees to wood dust have been in place for six years and the number of persons exposed at industrial sites was less than 4% in 2007, compared with 25% in 2001. Lapeyre has set up continuous monitoring, with a requirement to regularly measure exposure levels against annual improvement targets. Medical surveillance has been strengthened in consultation with doctors at the various sites and, since 2003, its scope has been extended beyond plants to workshops at stores, where technical improvements have been implemented alongside the monitoring and measurement processes. In 2007, Lapeyre launched preparatory work on tracking compliance with ATEX (European directive on explosive atmospheres) for wood dust.

OBJECTIVE FOR 2008-2010

Each Division will be setting targets for lower exposure thresholds by 2010. And the substance cataloguing software implementing the TAS standard on toxic agents will be rolled out across all industrial businesses following development of a web-based system.

Saint-Gobain implements the European **REACH**[1] regulation on chemicals. A great deal of work has been done on inventorying the chemicals used at Saint-Gobain industrial sites in Europe, and the Group's main suppliers have been contacted. Saint-Gobain is now busy preparing the required files, and is a member of several business groups addressing the matter. Substantial human and IT resources have been harnessed to ensure compliance with the regulation and to plan ahead to ensure a satisfactory long-term response to the changes entailed.

EUROPEAN REACH REGULATION

The European REACH regulation, which came into force on June 1, 2007, seeks to identify potentially harmful substances with a view to phasing out unsafe applications. All dangers and potential health and environment risks entailed by the use of registered substances must be notified to the European Chemicals Agency, set up by the European Union for this purpose. REACH requires registration for all substances made in or imported to Europe in quantities above one tonne per year per legal entity. Substances considered unsafe may be subject to special authorization, or banned. And a ban may be placed on making or importing non-registered substances in the European Union.

Many countries are also adopting the UN's Globally Harmonized System (GHS) for ensuring uniform hazard classification and labeling worldwide. GHS deployment and implementation are being monitored concurrently with the REACH project.

Workstation ergonomics

Although automation at Group plants and the use of handling equipment have gradually reduced the risks faced by employees, the Group remains vigilant with respect to movements, gestures and postures at workstations. A specific method for identifying risks associated with handling operations, the lifting of weights and postures in the work environment (PLM – Posture Lifting Movement) has been developed and is being made available to EHS managers at the Sector and Delegation levels for industrial and distribution sites. An EHS recommendation exists concerning the use of this method. A training kit is under development.

Four related manuals highlighting risks can be downloaded from the EHS intranet. They are of an interactive nature and are composed of two parts, one emphasizing preventive actions to be applied at workstations and the other providing workstation observation grids. The manuals exist in French and English, and will be translated into other languages.

To eliminate or reduce ergonomic risks, some sites have also adopted workflow management processes that avoid overly repetitive gestures over time. This has been the case, for example, in the Flat Glass Sector, where handling operations and manual finishing are commonplace.

At Point.P, musculoskeletal disorders are a major health risk for employees because of the extensive handling operations required in the Building Distribution Sector. The Group responded to this situation with a 2006 training plan on PLM ("Posture Lifting Movement"), and sent out occupational hygienists to study risks at pilot sites and determine possible solutions.

An occupational hygienist was hired by the Pipe Division in 2006 to find solutions to the ergonomic problems its businesses face. And two process assessment and training systems have been developed: *Ergo-Progress* and *Ergo-Team* (for longer courses, around six days), to analyze new projects, optimize them and correct ergonomic shortcomings.

OBJECTIVE FOR 2008-2010

The PLM method will be available, with pilot sites in all Divisions, from 2009.

1 - EC regulation n° 1907/2006 "concerning the registration, evaluation, autorisation and restriction of chemicals, and establishing a European Chemicals Agency".

Biological risks

Following an outbreak of **Legionnaire's disease** in France at end-2003 and in accordance with new French regulations issued in 2004, Group sites in France took proactive steps to prevent and control risks in this area. All Sectors concerned in France have taken the necessary action to ensure compliance, including monthly or weekly monitoring of water quality, frequent cleaning of pipes to prevent bio-film formation and audits by approved outside firms. Most sectors have also organized seminars on crisis management. Some sites have overhauled their building plumbing systems to minimize the risk: for example, pipe bends where stagnant water could accumulate have been eliminated to prevent the formation of the bacteria responsible for Legionnaire's disease. Although these stringent regulations currently apply to France alone, a number of Sectors (starting with Flat Glass) have replicated the related practices in other European countries and beyond.

In response to the increased risk of an **avian flu** pandemic, the Group introduced a number of preventive measures at end-2005 involving, among others, the EHS and Human Resources Departments:

- The Group has issued general instructions based on the pandemic risk scale published by the World Health Organization.
- The Sectors have integrated pandemic risk into their operational crisis management plans. The Construction Products Sector, for example, has set up an optional system on self-diagnosis of continuity plans for all sites.
- A network of dedicated contacts has been set up in each Sector and each Delegation and at the parent company, and a collaborative workspace has been created on the corporate intranet.
- Health recommendations, links to specialist information websites and avian flu knowledge tests have been posted on a webpage that may be accessed by all employees via the intranet.

Environment issues

Saint-Gobain's industrial operations are not particularly prone to technological risk. Most involve the transformation of inorganic materials and require very few explosive or environmentally hazardous substances. More than one third of Group sales are accounted for by distribution of building materials, a business that incurs very little environmental risk.

Typology of Saint-Gobain sites

A breakdown of Saint-Gobain sites, including details on sites covered by special regulations, appears in the section on Industrial and Environmental Risks.

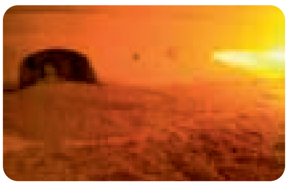
GRAHAM, SETTING AN EXAMPLE ON ENVIRONMENTAL PROTECTION

Graham, UK distributor of plumbing and heating products, recently opened a Coventry branch that actively implements a range of environment-friendly systems. Hot water is produced by solar panels, and a constant ambient temperature is maintained by a high-efficiency boiler and heat collectors. Water for the washrooms and for cleaning comes from rainwater collectors. The result is a 50% reduction in energy consumption. As Graham's business development manager Alan Penny points out, "Renewable energy is a major challenge for developers, businesses and local authorities in the UK".

Optimizing materials consumption

• Controlling consumption of raw materials

Different industrial operations involve different approaches to raw material consumption. The following paragraphs cover only those Saint-Gobain businesses in which significant quantities of non-renewable raw materials (as opposed to wood, a renewable raw material, for example) are consumed.



The main way to reduce consumption of natural resources in glass furnaces is by including cullet (crushed recycled glass) with the raw materials. By making new glass from recycled glass, we cut down on both raw materials and energy consumption. In 2007, glass furnaces consumed 7.2 million tonnes of cullet (from internal and external sources) along with 14 million tonnes of raw materials.

The proportion of primary raw materials used group-wide fell slightly between 2006 to 2007, and the proportion of recycled materials increased accordingly: 29.5% of glass made by Saint-Gobain in 2007 was made from externally-sourced cullet, compared to 29.3% in 2006.

The proportion of recycled materials used in product manufacturing remains highest in Saint-Gobain's Packaging Sector and Insulation Division. Though cullet quality requirements are tighter in Flat Glass than in Packaging and Insulation, the Flat Glass Sector nevertheless pursues an active policy of cullet recovery at its own glass transformation sites and at client sites (with cullet skips, operator training on scrap glass sorting, and support logistics). Through efforts on sorting and logistics, the amount of cullet recovered from automotive industry and construction sites rose by 10% from 2006 to 2007. This represents a reduction of at least 9,000 tonnes in CO_2 emissions, since one tonne of cullet avoids 300 kg in CO_2 emissions.

To produce cast iron, the **Pipe Division** uses two smelting processes: "primary smelting", which produces cast iron from iron ore in blast furnaces; and "secondary smelting", which produces cast iron from scrap metal and recovered cast iron. The balance between these two production processes depends on many factors, including the markets for primary and secondary raw materials. Secondary smelting demands a substantial regional scrap metals market, which exists in industrialized countries but not in developing countries such as China. In 2007, primary smelting rose, to account for 70% of the total, following startup of a blast furnace at the Ma'anshan site in China.

Lightweight product design has been a major Saint-Gobain R&D focus for several years now. Developments here bring three main environmental advantages: smaller quantities of natural resources, reduced energy consumption during product manufacture (since there is less raw material to be smelted), and lower CO_2 emissions (owing to lower demand for transport of raw materials and finished products).
For example, the Natural pipe of 2005 weighs 25% less per linear meter than the K9 pipe of 1990, as a result of continuous improvements in the centrifuging process and in coating and fitting techniques.

Changes in CO_2 emissions and pipe weight per meter
(AEP DN 200 pipe) European structure

- **Minimizing waste and improving recycling or reusability**

Saint-Gobain plants consume raw materials to make either finished products or intermediate products for further transformation at other Saint-Gobain sites. In addition to these products, manufacturing processes often generate production residues, or by-products. A number of alternative criteria can apply for determining whether or not this material is considered as waste:

- local regulations;
- physical and chemical parameters of the material, and technical characteristics of the industrial process concerned;
- whether or not reuse processes are available.

Group priorities on waste management (expressed in the EHS charter through the objective of "zero non-utilized waste") are as follows (by order of importance):
- lower amounts of by-products;
- internal utilization of by-products;
- promotion of external utilization processes (recycling or heat-from-waste) for by-products that cannot be utilized internally;
- burial of residual waste as a last resort.

Saint-Gobain classifies its by-products in three categories:
- by-products for internal utilization;
- non-hazardous waste or by-products for external utilization (e.g. foundry sand and furnace slag);
- hazardous waste treated externally (e.g. solvents and oils).

Of the 4.7 million tonnes of production residue generated across the group in 2007 (steady with respect to 2006 on a like-by-like reporting basis), 800,000 tonnes came from the Gypsum Division, and 56.9% was utilized externally or internally.

Group waste management policy is cascaded down through all Saint-Gobain Sectors. In 2005 and 2006, the Lapeyre and Point.P banners, in the Saint-Gobain Building Distribution Sector, completed joint development work on a waste reporting system based on Gaïa but adapted to address the specific needs of distribution businesses. This system is currently being rolled out. Point.P has also developed a pay-access waste disposal system, covered by strict specifications, for customers at its outlets: tradespeople are invited to dump their construction site waste on completion of a project, then load their trucks with new construction materials for the next one. There are around a hundred Point.P waste disposal points in service today. The scheme, which creates a competitive advantage for Point.P., is proving highly successful and should shortly be extended to other Building Distribution Sector banners such as PUM Plastiques.

The Flat Glass Sector is also running a specific initiative for stepping up recycling of filter waste: in 2007, 70% of waste tonnage produced was recycled in Saint-Gobain glass furnaces, compared with 60% in 2006. A number of sites are running specific programs to reduce waste production. The Eggborough site in the UK, for example, plants a tree at the site to mark each tonne of waste avoided.

SUSTAINABLE DEVELOPMENT AWARD FOR BRITISH GYPSUM

Taylor Woodrow, the second-biggest construction company in the UK, awarded British Gypsum its prestigious sustainable development trophy at its annual Supplier Awards event, for its hand-in-hand work on a comprehensive approach to managing plasterboard waste at construction sites. This approach covers initial design, minimization of waste quantities, on-site waste handling, and final disposal and recycling of plasterboard scrap.

Saint-Gobain's three main materials – glass, cast iron and gypsum – can be recycled indefinitely. The Group makes a considerable effort to promote recycling, which brings the two-fold environmental benefits of waste minimization and reduced consumption of primary raw materials. Recycling is partly carried out within the Group, by specialized companies such as Valoref.

VALOREF, RECYCLING USED REFRACTORIES

In the Ceramics & Plastics business, Valoref, founded in 1987, is the European number-one in recycling of refractory products. Valoref handles global management of end-of-life refractories for the glass, petrochemical, steel and incineration industries across Europe. This covers selective demolition of furnaces, on-site sorting, waste removal, consulting and technical assistance. All Valoref projects are carried out to extremely strict specifications, drawn up in close partnership with the industrial client and fully compliant with all applicable legislation. From the refractory waste sorted and processed at its ICPE-registered environmental protection site at Bollène in south-east France, Valoref develops a range of secondary raw materials for clients in refractories and ceramics industries. Valoref has been certified to ISO 9001:2000 since 2000 and to ISO 14001:2004 since September 2007, consistent with its high service quality and strong commitment to environmental protection.

Consumption of recycled glass (cullet) from internal and external sources accounted for 58.5% (versus 56.2% in 2006) of glass wool production by weight of finished product in the Insulation Division (0.56 million tonnes of externally sourced cullet and 0.14 million tonnes internally sourced) and 56% (versus 57.9% in 2006) in the Packaging Sector (3.17 million tonnes externally sourced and 1.36 million tonnes internally sourced). It is estimated that nine out of ten champagne bottles are produced from recycled glass. And a sheet of Saint-Gobain glass contains 30% recycled glass. Some of the Group's cullet needs are met by external sourcing, though Saint-Gobain also has five glass processing sites, in France, Germany and Italy, which mainly supply the furnaces of its Packaging Sector. There are two main constraints on glass recycling. The first is the difficulty in obtaining cullet that is uncontaminated by foreign matter, especially critical in the manufacture of flat glass. The second is the stagnating level of household waste glass collection in some countries, for various reasons, such as lower consumption of alcoholic drinks and changes in waste collection habits.

OBJECTIVE FOR 2008-2010

Each Division will be setting targets for waste disposal reductions by 2010.

Reduction in atmospheric emissions

• CO_2 emissions and energy consumption

Reduction in carbon dioxide (CO_2) emissions, mostly generated by glass furnaces, is a priority focus of Saint-Gobain's environmental policy. All Saint-Gobain companies place a strong emphasis on reducing energy consumption. In 2007, Saint-Gobain emitted 14.3 million tonnes of CO_2 (down from 14.7 million in 2006), and 27% of this was from Packaging Sector sites, sale of which has been announced.

Saint-Gobain's CO_2 emissions are marginal, accounting for less than 0.3% of quotas allocated in Europe. At the end of the 2005-2007 period, the **directive on emission quotas** concerned 67 sites: 61 glass production sites, one Pipe Division site, three Gypsum division sites, one Abrasives Division site, and one combined heat and power plant. Of the 6.8 million tonnes of CO_2 generated by Saint-Gobain in European Union countries, 5.9 million are concerned by the quota system.

CO_2 emissions from glass furnaces today average 581 kg per tonne (compared to 614 in 2006). Depending on the type of glass, average per-tonne emissions vary from 480 kg in the Packaging Sector to 725 kg in Flat Glass. One way to reduce CO_2 emission levels is by feeding back recycled materials into the production process. In glass production, the inclusion of one tonne of cullet avoids 255 kg to 300 kg of CO_2 emission. The energy required to make one tonne of glass averages

2,444 kWh. Energy consumption across Saint-Gobain glass furnaces totaled 36,746 GWh in 2007. Fuel oil and natural gas were the main energy sources.

The Pipe Division emitted 1.76 tonnes of CO_2 per tonne of cast iron in 2007. The energy required to make one tonne of cast iron averages 5,461 kWh. Pipe Division energy consumption totaled 10,870 GWh in 2007, with startup of the Ma'anshan blast furnace. Coke and coal are the main energy sources for firing the blast furnaces and cupola furnaces making the iron needed in this kind of industry, though electricity and natural gas are also used. Pipe Division efforts to improve plant yield and energy efficiency include techniques for injecting oxygen and carbon-bearing matter in the smelting process, and transition to secondary smelting wherever possible, i.e. depending on availability of raw materials. Primary smelting, from ore, entails heavier energy demand.

On acquiring the large Xuzhou site in China, Saint-Gobain launched a wide-scale modernization and performance enhancement plan, based on best available practices group-wide. Major investments have been allocated, starting with a program to replace three of the plant's antiquated, inefficient blast furnaces.

Energy consumption across the **High-Performance Materials Sector** excluding glass furnaces totaled 4,692 GWh in 2007 (steady with respect to 2006), including 1,199 GWh for the Silicon Carbide business.

Other sectors and divisions accounted for 20% of Saint-Gobain energy consumption in 2007.

Group-wide energy expenditure reached €1.5 billion in 2007, with 60% for the purchase of fossil energies.

OBJECTIVE FOR 2008-2010

Environmental impacts will be specified for each process, and Sector objectives for 2010 will include reduction targets.

Saint-Gobain's business activities also entail **CO_2 emissions arising from transport** at various product manufacture and distribution stages: transport of raw materials to the plant, possibly followed by transport of semi-finished products to a second plant for further transformation, followed by transport of finished products to sale outlets.

The Building Distribution Sector, for which this is a major issue owing to the large quantities of goods conveyed to sale outlets, has set up a reporting system on transport-related emissions. And to reduce fuel consumption across their truck fleets, Point.P and Raab Karcher Germany have launched a wide-reaching Responsible Driving program educating drivers on better driving practices capable of saving fuel and cutting down on CO_2 emissions.

Reduction in transport-related CO_2 emissions is also a key point in the Responsible Purchasing program introduced by the Saint-Gobain Purchasing Department. Carbon balances are being studied with suppliers with a view to setting emission reduction targets and developing category-specific action plans. Specific improvement measures are already under examination. For example, on road transport in France, Saint-Gobain Purchasing works with suppliers that take measures on reducing greenhouse gas emissions. Then CO_2 emission is a selection criterion for vehicles in Saint-Gobain's French fleet. And Saint-Gobain is committed to achieving a four-fold reduction in CO_2 emissions from its **tertiary buildings** by 2040.

2040 TARGET FOR FOUR-FOLD REDUCTION IN CO_2 EMISSIONS FROM OFFICE BUILDINGS

In 2007, Saint-Gobain set the target of a four-fold reduction in CO_2 emissions from its new office and training center facilities (i.e. new tertiary buildings excepting production shops, warehouses, stores, etc.) by 2040. An energy balance across all relevant sites will be drawn up by 2010 as a preliminary to planning appropriate thermal control measures.

JEWSON WINS AWARDS FOR INNOVATIVE SOLUTIONS AND ACHIEVEMENTS

In November 2007, the UK Construction Products Association awarded Jewson two prizes for its innovative solutions on reducing energy consumption and enhancing site efficiency. Jewson won the Energy Saving and CO_2 Reduction Prize for its dedicated stores developed specially for Golden Gates Housing (a major social housing organization). This original approach to supply-chain management brought considerable reductions in CO_2 emission levels under a partnership arrangement that enables Golden Gates Housing to optimally service its 9,000 properties.

The second prize, in the "Site Efficiency" category, was for Jewson's development of an order validation service for construction company Mansell. This unique solution significantly improves the efficiency of the supply process for project purchasing control. Jewson is the only dealer to be awarded this prize, a fact that is especially remarkable when we consider that its main rivals are members of the Construction Products Association.

- **NO_X et SO_2**

Some Saint-Gobain plants, mainly glass furnaces and Pipe Division sites, emit two types of substance having an acidification effect: sulfur dioxide (SO_2) and nitrogen oxides (NO_X). Both of these types of emission are covered by the European IPPC (Integrated Pollution Prevention and Control) directive, which aims at reducing pollution from industrial plants in the European Union.

Saint-Gobain Sectors have been seeking to reduce sulfur dioxide (SO_2) emissions for several years now, by using better quality fuel oil or coal slack, by cutting down energy consumption, and by setting up desulfuration processes. In all, Saint-Gobain glass furnaces discharged a total of 36,015 tonnes of SO_2 in 2007, an average of 2.39 kg of SO_2 per tonne of glass produced. The Pipe Division emitted 2,747 tonnes of SO_2 in 2007, representing 1.38 kg per tonne of cast iron produced.

Saint-Gobain companies endeavor to reduce emissions of nitrogen oxides (NO_X) chiefly through primary measures to prevent or minimize NO_X production at source. One such measure is the oxygen furnace, which produces much less NO_X by inputting oxygen instead of air (which contains a high proportion of nitrogen). But economic constraints make it difficult to use this technology in the Flat Glass and Packaging Sectors. The Flat Glass Sector continues to develop primary measures for bringing down NO_X levels. In all, Saint-Gobain glass furnaces discharged a total of 41,738 tonnes of NO_X in 2007, an average of 2.78 kg of NO_X per tonne of glass produced. Manufacture of ductile cast iron products emitted around 2,500 tonnes of NO_X, or 1.24 kg of NO_X per tonne of cast iron produced.

- **VOC**

Volatile organic compounds (VOC) are released from some Saint-Gobain processes: bonding of fibers, glass wool and abrasives; manufacture of silicon carbide (mainly polycyclic aromatic hydrocarbons); manufacture of asphalt roofing shingles; application of coatings to cast iron pipes (solvents); and treatment and finishing of wood products at Lapeyre. Because atmospheric release of VOCs can entail a risk of exposing personnel to dangerous chemical substances, increasingly widespread chemical risk assessments on emissions are made throughout the Saint-Gobain Group, providing valuable input so that corrective action can be implemented to reduce emission levels.
In the High-Performance Materials Sector and at Lapeyre plants, such assessments have already prompted replacement of several hazardous substances. The Pipe Division has developed a number of solvent-free coating processes: epoxy powder for pipe fittings; cataphoresis for pipe connectors; and, since 2004, autophoresis chemical coating for road fittings (announced in 2006 and operational from 2007).
Where there is no alternative to solvent-based paint (for pipes, for example), special systems are used for removing and treating VOCs by oxidation on the production line.

- **Dust**

Saint-Gobain also pursues vigorous measures on controlling dust emissions. In response to the European IPPC (Integrated Pollution Prevention and Control) directive, which seeks to bring down pollution from industrial plants in the European Union, Saint-Gobain undertook a series of investments in electro-static precipitators and bag filters (depending on the type of furnace). In 2007, Saint-Gobain glass furnaces and production lines discharged 5,837 tonnes of dust, averaging 0.39 kg of particles per tonne of glass produced.

In the Pipe Division, a distinction is made between pipe-carried dust and diffused dust. For a long time now, Saint-Gobain plants have been filtering and processing the very large amounts of dust carried in pipes, and systems have been regularly upgraded in pace with technological developments. In 2007, processed pipe-carried dust totaled 2,289 tonnes, an average of 1.2 kg per tonne of cast iron produced. Diffused dust emissions are much less substantial, and are difficult to filter and process. Moreover, there is no standard methodology for quantifying this kind of emission, which only occurs in metal smelting areas, and very largely involves mineral matter. In 2004, the Pipe Division nevertheless initiated actions to improve filtering and processing.

Saint-Gobain Packaging Sector sites in the USA have developed a new technology for controlling dust and SO_X emissions. It was initially designed for the microprocessor industry, then adapted to glassworks, and is already used by Saint-Gobain Ceramics plants in the USA.

- **Heavy metals**

Specific monitoring is performed for other regulated substances emitted by Saint-Gobain sites (Packaging and Pipe sites, mainly), such as heavy metals from impurities in furnace input material (raw material or cullet). The environmental impact here, already negligible, is to come down even further with widespread implementation of dust filtering in Saint-Gobain Packaging Sector furnaces in Europe, under the IPPC (Integrated Pollution Prevention and Control) directive. In addition, filtration dust is increasingly recycled at the plants themselves or utilized through special processes.

Control over the impact on natural balance

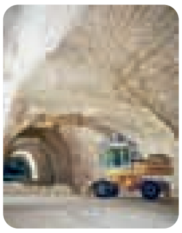
- **Fauna and flora**

Although Saint-Gobain processes do not, generally speaking, pose any particular threat to local fauna and flora, impact studies are nevertheless performed in most countries prior to the siting of a new industrial facility.

- **Soil**

Whenever a site is acquired or disposed of, regulatory compliance tests are conducted and the quality of groundwater is monitored. If any contamination is detected, appropriate measures are implemented, such as pollution abatement, containment or monitoring.

> *Quarries*



Saint-Gobain operates over a hundred underground and open-cast quarries worldwide. Two-thirds of these are gypsum quarries, with extracts used mainly for plasterboard. In 2007, a working group covering all Group Sectors was formed to draw up a Saint-Gobain standard on good quarrying practice. The quarries are operated in an environmentally friendly manner in compliance with local and national regulations. During the extraction period, the effects on local residents and on the environment are reduced as far as possible. Particular attention is paid to the visual impact of the operations, dust, noise and vibrations, the bearing on road traffic, and any hydrogeological and hydrographic repercussions. When extraction has been completed, a site is systematically cleaned up. The objective for open-cast quarries is to return the land to as close to its initial contours as possible. The entire zone is then replanted, with high density wooded areas composed of various species, woodlands, and meadows or ponds, to create biodiversity.
Since the start of the 1990s, the Gypsum Division in France has redeveloped more than 200 hectares (495 acres) of open-cast quarries in the greater Paris region and planted more than 100,000 trees.

• Wood supplies

Preservation of natural wood resources is a major challenge for businesses in the Saint-Gobain Building Distribution Sector, which makes or sells wood products such as flooring, timber frames, shutters and windows. The main Saint-Gobain units selling this kind of product are Lapeyre, Point.P, Optimera, Raab Karcher Germany and Saint-Gobain Building Distribution UK, which together account for 90% of panel-making wood purchases across the Building Distribution Sector.
Since March 2007, a sector-wide environmental policy on wood was set up to coordinate and revitalize existing policies at individual units. The new environmental policy on wood specifies responsible purchasing and sales conduct and sets common operating rules. It takes two main angles:

- Responsible purchasing behavior covers three main points: protecting endangered tree species; ensuring that wood is legally sourced; and promoting certified sourcing in accordance with FSC (Forest Stewardship Council) and PEFC (Program for the Endorsement of Forest Certification schemes) standards. FSC and PEFC are the two main labels promoting sustainable forestry in accordance with strict ecological and social criteria.
- Responsible sales behavior, promoted at sales outlets by training personnel and informing customers on ecological aspects of wood products and on traceability issues (species, countries of origin, certification, etc.).

The environmental policy on wood applied across Saint-Gobain Building Distribution units takes the form of a proactive program under regular review, with quantified, scheduled commitments. For example 80% of incoming wood is to be sourced from certified forests by 2010.

The Building Distribution Sector is working to ensure that the wood products it sells and designs are consistent with this initiative, as illustrated by Woodprotect®, an innovative 100% natural product that contributes to preservation of rare tree species such as tropical woods by giving European woods similar resistance properties. Lapeyre launched its first Woodprotect® range in 2007, and an R&D program is under way on possible process extensions to other Saint-Gobain products.

Optimized water management

Water is used in very few of Saint-Gobain's manufacturing processes, although it is used in large volumes for cooling high-temperature facilities. Water is increasingly recycled internally, which substantially reduces the demand on natural water resources.

In 2007, Saint-Gobain drew 99.4 million cubic meters of water, down from 102 million in 2006 on a like-by-like basis.

The amount of water needed to produce one tonne of glass was stable compared with 2006, at 1.70 cubic meters (consumption varies widely, from 0.87 to 7.81 cubic meters per tonne depending on product and process).

For its plant cooling needs, the **Pipe Division** drew 19.79 cubic meters per tonne of cast iron produced in 2007. This Division has initiated action plans to improve water management and reduce consumption through recycling. Figures remain high this year owing to startup of the blast furnace at the Ma'anshan site in China. Experiments are being carried out at one Pipe Division site on the Archimède process for interior cement coatings using smaller quantities of water and raw materials.

Water consumption across the **High Performance Materials Sector** totaled 13.4 million cubic meters in 2007, confirming the steady downward trend observed since 2004.

All Saint-Gobain Sectors are examining ways to optimize water management. For example, a wide-reaching policy has been launched across Point.P ready-mix concrete businesses on treatment and recycling for the water used in the concrete-making process. Eventually, all sites concerned will have settling tanks for reinjecting filtered water into the mix.

OBJECTIVE FOR 2008-2010

Each Division will be setting targets for reducing water consumption by 2010, on the basis of actual consumption in 2007.

III. Focus of our social development

1. Human resources, a linchpin of the Group's future direction

The Human Resources Department supports both the Group's development in new markets and the strengthening of Saint-Gobain's presence in its historical base. The Department manages and develops skilled, motivated teams in keeping with the Group Principles of Conduct and Action and in a spirit of respect for others, employee rights and dialogue with employee representatives.

When implementing measures identified as necessary, the Human Resources organization can call upon a range of common aids, which may be adapted to local specificities and imperatives.

COMMON AIDS TO ENHANCE HARMONIZATION AND EFFECTIVENESS

Since taking up office in June 2007, Group Chief Executive Officer Pierre-André de Chalendar has acted upon his wish to strengthen the management of the Group's executive personnel by creating the **Human Resources Committee.** The Committee meets on a monthly basis, after the meeting of the Management Committee, in the presence of the head of executive personnel management. The Human Resources Committee performs regular evaluations of employees by business line and country, and considers issues related to executive personnel management, such as increasing the proportion of female executives, international mobility and career management for researchers. An annual agenda of key issues to be discussed is prepared.

The Group also continues to take action to harmonize its practices across the countries in which it operates. Several guides and procedures, resulting from concerted efforts over a number of years, were made available throughout the Human Resources organization for this purpose during 2007.

- **Competencies reference manual:** this identifies 11 attributes indispensable for effective management and applicable to all executives (for example, leadership, the ability to work in a team and receptiveness to different views). The manual serves as a common reference model for executive career management and, especially, for training.
- **Standard evaluation form:** the form uses a common vocabulary for the issues broached during executives' annual evaluations. The phased introduction of the form started at end-2007.
- These aids are integrated into a **worldwide information system** to ensure the better development and greater mobility of Group executives. The system provides access to all vital aspects of dynamic career management, including training, individual reviews, expatriate opportunities, talent monitoring and career aspirations.

1.1 Recruiting for tomorrow's needs

Bringing in a new generation

In several territories, there was an observable increase in new hires of people under 26[1] in 2007. This was particularly true in Germany, the Benelux countries and the emerging nations of Latin America, Asia and Eastern Europe. Such under-26 hires accounted for 36.4% of total Group recruitment in 2007 (2006: 33.8%), in line with the trends of past years.

Sustaining team development

The Group's robust expansion has given rise to a number of cross-functional projects involving skilled, motivated teams led by talented executives with increasingly multicultural profiles.

Saint-Gobain is mindful of the importance of developing employees' international experience and of diversifying workforce skills, particularly in the case of employees with senior executive potential. To this end, geographical and functional mobility opportunities are made available to the extent possible.

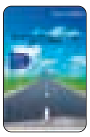
As a general rule, recruitment needs continue to be defined locally by the Delegations and companies, which set the recruitment strategy that is most appropriate for their environment and mainly manage it through their own websites. Based on their needs, they build relationships with national and regional schools and universities, welcome interns, sponsor programs and organize factory visits to introduce Saint-Gobain to students (see the information on educational support in Part IV).

Each year, Saint-Gobain takes part, through its General Delegations, in many university forums worldwide. It has also built extensive ties with business and engineering schools, ranging from sponsoring a specialized program or class to providing personalized support for individual students.

Particular emphasis is placed on such action in emerging markets, where business growth is fueling the need for a wide range of local skills.

1 - Data concerning the hiring of people under 26 are based on 87% of total Group staff, excluding North America.

RECRUITMENT CAMPAIGN IN CHINA



The China Delegation, in collaboration with its local entities, is actively canvassing top-drawer universities. A total of 16 events will be organized on campuses through to May 2008. The 118 job openings advertised (mainly on the technical and production sides) have already attracted more than 9,000 applications and about 60 candidates have received a firm job offer or are in the selection process.

Senior-year internships are a particularly effective way of introducing Saint-Gobain's businesses and corporate culture to potential candidates, who, if hired, integrate very easily into the Group upon completion of their studies. Over 1,000 interns per year receive training in France under programs lasting more than six months. The programs are government-regulated and remunerated based on a harmonized, recommended pay scale.

Saint-Gobain offers work assignments under the VIE program (Volontariat International en Entreprise – international volunteer services in companies) in close collaboration with the Agence Française pour le Développement International des Entreprises, a French body set up to promote international business development. About 30 related contracts were signed during 2007, taking the total number of interns assigned since 2001 to more than 180. Germany and the United States were the leading destinations, well ahead of China, the United Arab Emirates, Luxembourg and Mexico. On average, nearly 30% of VIE assignments are in the sphere of research & development, finance and industrial processes.

Innovation plays a central role in the Group's strategy and is spearheaded by research & development efforts. As such, particular care is devoted to recruiting researchers.

The Research & Development function has continued to grow with a view to supporting the Group's major strategic projects and increasing its contribution to organic growth. In 2007, more than 270 new employees were recruited at the six principal research centers, located in the United States and France.

Saint-Gobain is working towards forging long-term collaborative research relationships with top-drawer university laboratories. Such arrangements will provide access to research expertise in strategic countries where the Group is keen to expand its business base. Higher learning institutions meeting the Group's specifications have been identified and financing has been put in place for thesis work and postdoctoral internships. In 2007, the Research & Development function signed agreements with the Lomonosov Moscow State University in Russia, Harvard University in the United States, the Indian Institute of Technology in Madras and the University of São Paolo in Brazil.

Sustaining the Group's development

The transfer of skills between countries and generations is critical to the Group, whose businesses rely on targeted, complex know-how. This explains the importance of the Principles of professional commitment and solidarity (see Part IV).

In keeping with these values, Saint-Gobain began negotiations concerning forward jobs and skills planning in September 2007 in France. This action constitutes a strong signal for a Group committed to decentralized human resources management. The resulting draft agreement emphasizes the retention of employees over 50 years of age, for example by encouraging the reassignment of employees from physically arduous activities to less physically demanding posts, as appropriate.

The over-50 age category is also specifically targeted for recruitment purposes. For example, one of the Building Distribution Sector's leading banners, Point.P, recruited more than 100 persons over the age of 50 during 2007.

Saint-Gobain also promotes the transfer of skills by actively encouraging older employees to train as mentors. Maintaining the skills base is particularly important in glassmaking, where the steady transfer of competencies and know-how is clearly a strategic imperative. Some retired engineers thus continue to teach and to transmit their knowledge, notably at the University of Glass, a place of exchange and learning for young engineers.

1.2 Encouraging and promoting mobility among staff

Internal mobility of employees is a powerful lever for the Group's development and the building of its corporate culture, thanks to exchanges between different businesses and countries.

Mobility has virtually doubled during the past ten years, across both Sectors and countries.

In 2007, for the first time, a satisfaction survey was conducted among all Group expatriates concurrently, as a follow-up to previous surveys carried out by the Sectors. The survey covered more than 500 employees who had gone abroad to work in over 40 countries. The summary of findings presented to General Management showed that the satisfaction rate had risen since the preceding surveys with regard to preparations for departure, the monitoring of each employee's welfare throughout the assignment in the host country and meeting the expectations of returning expatriates. The survey findings also provided insight into new areas for improvement, in particular communication between the home country and the host country and the organization of expatriate returns.

Routine measures have also been taken to make employment mobility opportunities more accessible:

- Job offers are displayed on a dedicated intranet site, where they are listed by country, business line and type of contract.
- Support is provided in the form of an international network of mobility specialists and an international mobility guidebook, intended to smooth the process of relocating to another country.
- Performance evaluations allow the Human Resources organization to identify employees' current or future aspirations for job mobility. In 2007, 74.4% of executives had an annual evaluation with their superior and the Group aims to ensure that in time, 100% employees are evaluated.
- Succession planning and people reviews are annual forecasting exercises aimed at planning for possible medium- and long-term changes in positions and staffing within the various Sectors and Delegations based on mobility aspirations.
- Job mobility between the Sectors and Delegations is actively encouraged, thanks to a brochure containing key information (job offers, current and future expatriate opportunities, etc.).

- The Group's internal newsletters also carry information concerning job mobility opportunities. The "Postcard" and "Itinerary" sections showcase individual employees and the expatriate experience, providing insight into the Group's various businesses from a human and professional standpoint.

THE EXPATRIATE EXPERIENCE: A DAILY CHALLENGE

CARTE POSTALE Extract from an interview with a European expatriate employee in South Korea, published in the Construction Products Sector's *Connexions* newsletter (autumn 2007).

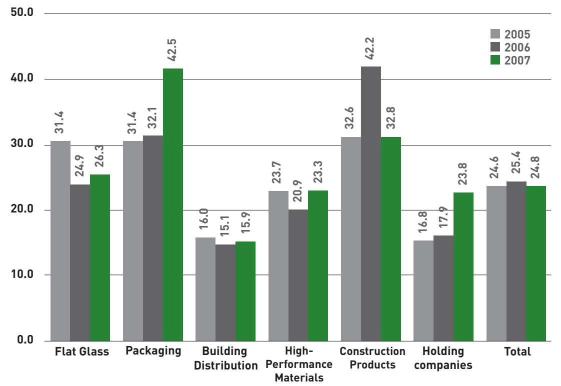
"The greatest challenge facing Europeans is learning to set aside Western-style business reflexes. To succeed in this part of the world, you need a lot of sensitivity, flexibility and pragmatism."

Geographical and functional mobility is not restricted to executive-band personnel, however. Opportunities are also provided to technicians to apply their experience abroad or within project teams, in multicultural environments. For example, every year, an average of 15 technicians and supervisors from the Flat Glass Sector are sent on international mobility assignments involving the construction or repair of furnaces, or the provision of technical assistance at processing sites.

1.3 Building skills through training

Average number of training hours per employee

(By Sector – actual group structure)



Training expenditure has remained on a rising trend to meet the Group's objectives. In 2007, it amounted to 3.2% of total payroll, up from 2.2% in 2006. In all, 71.2% of employees took at least one training course during the year, compared with 67.4% in 2006. In addition, 78.2% of executives took at least one training course, compared with 77.1% in 2006.

The training policy aids the implementation of the Group's strategy, notably by expanding the skills base in emerging countries and in housing-related activities.

The training policy has three overarching goals:

Making training more accessible for all employees

Access to training for all employees is an integral part of the Principle of professional commitment[1] and should be observed without restriction. Although the proportion of employees who have received training has risen annually, nearly one-third of the workforce did not take any training courses during 2007. Having identified distance as one of the main impediments, the Group has decided to let the Delegations and local managers arrange training courses and internships as close as possible to those concerned. To support the Group's development in emerging countries, training courses have been stepped up at local sites during the past three years. Between 2006 and 2007, training hours per employee increased from 53.7 to 60.8 in Latin America and from 30.2 to 35.1 in Asia's emerging nations, compared with the Group average of roughly 24.8.

The aim is to provide local managers with the training courses that they need on an ongoing basis. Distance learning tools (like the MKT2 program for operators in the Flat Glass Sector) are also being emphasized and will facilitate and accelerate the transfer of know-how to the Group's new fronts.

The rollout of the MKT2 (Manufacturing Know-how Transfer & Training) program is being continued, notably within the Insulation Division, with the aim of promoting the sharing of know-how and formalizing forward jobs and skills planning.

Supporting the Group's strategy

Training is intended to develop employee skills and conduct to serve the Group's development, particularly in the spheres of operational efficiency, innovation and competition law.

Operational efficiency is being enhanced through the pooling of technical know-how, the implementation of World Class Manufacturing projects and EHS (environment, health and safety) performance gains. The programs developed in all these areas are regularly updated and adapted to the changing needs of the various business lines (see Part I on EHS).

Statistics testify to the Group's unwavering commitment to reinforcing its employees' operational capabilities. In 2007, technical training accounted for 49.9% of the training provided within the Group, compared with 42.3% in 2006.

The Building Distribution Sector is taking action in its own right to nurture the skills required for its activities, by providing training directly to low-skilled or unskilled workers. In France, Point.P continues to offer a Professional Qualification Certificate, introduced at end-2004, for "first-line" positions (stockroom attendant, driver, salesperson) and local management positions (store manager, shift foreman).

1 - "Professional commitment for us means mobilizing to the best of one's ability the knowledge and know-how of the individual and also calls for training to keep both up to date..."

At end-2007, over 1,200 and 600 certificates had been earned in those personnel categories respectively since the inception of such training.

Another key aspect of Saint-Gobain's training policy is the development of an innovation and marketing culture within Group companies. For the past two years, the School of Marketing and Innovation has offered a range of courses for sales and marketing professionals and executives, who have thus been exposed to the fundamentals of marketing.

The Group also introduced an obligatory distance learning module in competition law for executive-band personnel in 2006, with essential information provided in the form of lessons and questionnaires. More than 10,000 executives received training in competition law in 2007 (see also Part IV on Group values).

Reinforcing the Group's culture

Training is an excellent vehicle for strengthening links within the Saint-Gobain employee community. At the heart of this process is the Management School, which provides training for Group executives throughout their careers and remains a unique meeting point for meaningful exchanges between cultures, business lines and functions. In 2007, the Management School was attended by more than 600 employees.

The training received was aimed at enhancing executives' skills in areas identified as priorities by the Group and at promoting exchanges and ties between executives from different Sectors, functions and countries. Aside from providing training in management methods and techniques, the Management School is primarily intended to be a forum for interaction between attendees drawn from the Group's diverse business spectrum, who learn as much from each other as from the instructors.

A UNIQUE MEETING POINT FOR MEANINGFUL EXCHANGES

Extract from the impressions of a Spanish attendee at the "Marketing & Price Policies for Managers" seminar in 2007 (published in the *Le Mois* internal newsletter in February 2008)

"The diversity of attendees' backgrounds is a real plus. We can each discover other marketing approaches, some of which are a response to specific local conditions and others that can be replicated elsewhere. I think that this type of event makes a positive contribution to Saint-Gobain's corporate culture."

1.4 Promoting diversity and equal opportunity

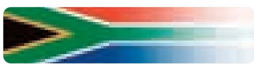
Respect for diversity and opposition to any form of discrimination are enshrined in the Group Principles of Conduct and Action (respect for others and for employee rights), which underpin human resources management at all stages of employees' careers.

The Group fully supports the Diversity Charter and has undertaken to train and encourage its management and employees to observe the principle of non-discrimination, and to seek to ensure that the Group reflects the diversity of society. For example, in June 2007, the Saint-Gobain headquarters was the venue for a number of symposia on the subject of diversity within companies, centered on a documentary and stage presentations. These events provided an opportunity for employees to brainstorm with the Human Resources representatives present.

Since 2006, Saint-Gobain has reported annually to the Halde (an anti-discrimination, pro-equality agency) on measures implemented by the Group to promote diversity within all of its businesses.

Local-level initiatives, which can be tailored closely to the specific cultural and business circumstances of the regions concerned, are also actively encouraged in all countries where Saint-Gobain operates.

SAINT-GOBAIN AND BROAD BASED BLACK ECONOMIC EMPOWERMENT IN SOUTH AFRICA



The South African government has passed law 3B2E on Broad Based Black Economic Empowerment to enable historically disadvantaged South Africans to participate meaningfully in the country's economy. Saint-Gobain, whose Construction Products Sector operates in South Africa, has implemented measures to encourage:

- investment by black South Africans in the Group's capital;
- representation of black employees among the workforce in general and, in particular, at managerial level;
- the development of black employees' skill sets;
- corporate citizenship actions (see Part IV on local communities).

The process will take time and milestones have been established by business line. At end-2007, the Gypsum business (which has made the most progress in this area) had reached level 7, corresponding to 45% compliance.

An equitable recruitment policy

At the Group level, optimally objective and professional criteria are applied throughout the recruitment process, starting from the advertisement of job offers through to the selection of curricula vitae and of candidates for interview. Although the specific methods used can vary from company to company and from country to country, the rejection of any discriminatory criteria applies across the board.

In France, **local initiatives** have been organized over the past several years, with the assistance of Saint-Gobain Développement, to bring together companies and young people seeking work or internships.

For example, in the region of Chalon-sur-Saône, Saint-Gobain supports a scheme called "100 chances 100 jobs", which aims to provide opportunities to struggling young people.
The support given by the Group includes mock interviews, site visits, vocational training programs and work/study contracts. The results are heartening: 51% of the 121 young trainees to date have found long-term employment since the initiative was launched in 2004. "100 chances 100 jobs" schemes are also in operation in Grenoble, Chambéry, Le Havre and Rouen.

In Seine-Saint-Denis, an underprivileged suburb north of Paris, the Group participates in numerous events organized by the departmental council. In February 2007, representatives of the Group's entities that operate in the department took part in the "Let's work it out" exhibition for schoolchildren, participating in conferences and the recruitment fair to inform young visitors about Saint-Gobain's various activities. In addition, to forge closer ties with educational establishments, site visits were introduced at several Gypsum business and Lapeyre locations in 2007.

Promoting diversity

In 2007, women accounted for 22%[1] of new hires and the **proportion of women** in total staff rose slightly relative to 2006, to 19.9%[2]. Of women employees, only 26.6%[3] are blue-collar workers. The Group is determined to achieve a better balance between men and women, particularly at the management level, as regards both recruitment and access to functions wielding responsibility.

Whereas women held only 10% of executive positions in 1997, the proportion has now risen to 16%[4].

To boost the in-house promotion of women, several practical measures have been implemented:

- Action has been taken to increase female representation in the Group's training cycles. The number of women attending seminars at the Management School has risen significantly over the past three years, to 112 from 72.
- A specific segment is dedicated to women in staff reviews, an essential component of career management and succession planning.
- A periodic progress report on this issue, as well as an annual evaluation, are sent to the Group Chief Executive Officer, detailing results by business and level of responsibility (senior leadership, management, supervisory staff, etc).

Targeted measures are also taken **at the local level** based on conditions for the business or country in question.

In the United States, the Women's Network, launched in 2003, brings together female executives from the North America Delegation. The network holds regular meetings to monitor and direct various initiatives. These include a mentoring program for new female recruits, the provision of assistance and advice with regard to the hiring process and the exchange of information with national networks.

Promoting the integration of disabled persons

In France, disabled persons represented 3.3%[5] of Group employees in 2007, representing a 0.7 percentage point increase relative to 2006. This increase testifies to French subsidiaries' take-up of Group policies seeking to promote the integration of people with disabilities.

When an employee is affected by a new disability, the Group has made it a rule to attempt, as far as possible, to keep the person in his or her job. In France, 143 workstations were adapted for disabled persons in 2007[6].

In 2007, the Group intensified measures to promote the integration of disabled persons: keeping disabled employees in their jobs, recruiting disabled persons, outsourcing to sheltered workshops and other companies employing personnel with special needs, and awareness-raising within the French subsidiaries. In addition, Human Resources managers at the various French businesses meet regularly within the "Disability" working group to exchange information about practices and improve their respective action plans.

DISABILITY AWARENESS CAMPAIGN IN FRANCE

2007 ended with a disability awareness campaign backed by General Management. The campaign aimed to explain the Group's approach to the integration of disabled persons to employees and to provide information on related forthcoming measures.
Leaflets and posters produced by a company at which personnel with special needs represent more than 80% of the workforce were made available at sites and on the intranet.

1 - Data concerning the proportion of women in recruitment are based on 98% of total Group staff.
2 - Data concerning the proportion of women in Group staff are based on 98% of total Group staff.
3 - Data concerning the proportion of women by employee category are based on 98% of total Group staff.
4 - Data concerning the proportion of women among executives are drawn from Peoplegroup, the Group's executives database.
5 - Data concerning employment of disabled persons in France are based on 99% of total Group staff in France.
6 - Data concerning the number of workstations adapted for disabled employees in France are based on 94% of total Group staff in France.

In the months preceding the campaign, Saint-Gobain participated in several recruitment fairs in France, including the very first Journée Entreprises Université Handicap aimed at bringing handicapped students and young graduates into contact with companies. The Group further took part in several regional recruitment fairs organized by Adapt (an organization promoting better inclusion of disabled persons in the workplace and in society) during Disability Awareness Week in November 2007. Furthermore, several Group companies are members of an association called Tremplin (Springboard), which assists and coaches disabled students and helps young graduates find internships and work in a network of Paris-area companies. Several interns and recruits have joined the Group through this avenue.

Group companies are also encouraged to order from sheltered workshops and several Sectors have set up outsourcing agreements with sheltered employment programs (“ESAT”) and other companies employing personnel with special needs. Saint-Gobain Développement has helped two centers operated by the Association des Paralysés de France (French association for paralyzed persons) switch to new activities by financing the related market research.

At the local level, some sites are actively pursuing the recruitment of disabled persons as part of the action plan for their business. For example, objectives have already been set for the new Insulation site in Chemillé (due to be opened in 2009) concerning recruitment and outsourcing arrangements with “ESAT” sheltered employment programs and other companies employing personnel with special needs, even though its status as a new establishment exempts it from this obligation for its first three years of operation.

These efforts are not confined to France. Group subsidiaries in other countries likewise are implementing voluntary measures to promote the integration of disabled persons. In Spain, for example, the Pipe Division established a partnership with the Down's Syndrome Foundation in 2007 with the aim of promoting the integration of young disabled persons.

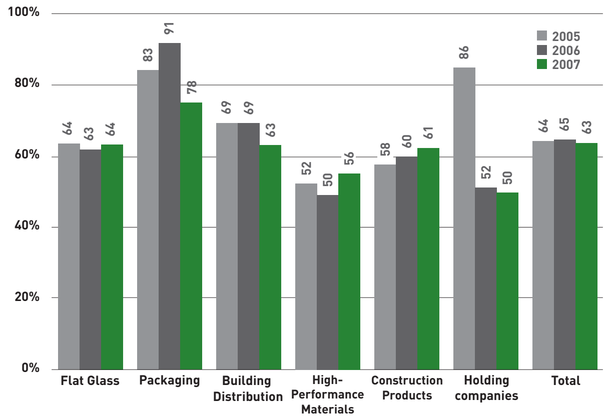
The partnership involves financial assistance from the Division and voluntary work by its employees. In addition, Saint-Gobain Abrasivos uses the services of a workshop employing disabled persons for product labeling and packaging.

1.5 High-quality dialogue with employee representatives, characterized by honesty and openness

Most of this dialogue takes place at the level of companies and sites, since it needs to take into account local features and employment issues in order to provide appropriate technical solutions. It is with the individual companies that employee representatives negotiate and sign agreements, in line with applicable legislation and local practices.

In 2007, 63% of employees had an employee representative body within their work establishment[1].

Proportion of staff covered by a collective bargaining agreement (actual group structure)



A total of 1,239[2] agreements were signed with employee representatives in the Group in 2007, more than 30% of which dealt with salaries.

In all, 63% of total Group staff and 99% of employees in France are covered by a collective bargaining agreement[3].

EMPLOYEE CONSULTATION IN GERMANY

Extract from a cross-comparison interview published in the *Le Mois* internal newsletter (July-August 2007)

Director of Human Resources for the Germany Delegation: I meet with the chairmen of the works councils of the Group’s main companies in Germany twice a year. Our meetings are an opportunity to discuss the implementation of the Group’s strategy and other topical issues. I also meet regularly with representatives of the Central European works councils in the Czech Republic.

Deputy Secretary to the Permanent Secretariat for European Employee Consultation and national coordinator: During meetings in Germany, I inform employee representatives of the work of the Permanent Secretariat for European Employee Consultation. These meetings are key to sound cooperation and to the constructive exchange of ideas.

1 - Data concerning employee representatives are based on 96% of total Group staff.
2 - Data concerning agreements with employee representatives are based on 95% of total Group staff.
3 - Data concerning collective-bargaining agreements are based on 92% of total Group staff, excluding North America.

European employee consultation

Since 1988, the Group has been holding a plenary meeting each year as part of the Collective Agreement on European Works Councils, to promote discussions on shared issues and facilitate the sharing of information in the interests of employer-employee negotiations at the local level and of the Group's social action at the European level.

This annual plenary meeting now brings together 70 employee representatives from 22 European Union countries plus Switzerland and Norway. During this meeting, Saint-Gobain's General Management and employee representatives exchange views on the Group's strategy and various economic, financial and social issues of interest to all European subsidiaries.

A permanent secretariat assures more regular and in-depth dialogue with the Group's management. It now includes nine members of eight different nationalities – German, French, British, Spanish, Italian, Dutch, Norwegian and Polish – who have been provided with technical resources and are allocated a specific number of hours for the performance of their duties.

The top level of the permanent secretariat is a committee composed of a secretary and two deputy secretaries. The committee carries out most of the year-round work, since it is responsible for monitoring overall progress and pursuing dialogue with the Group's management on a day-to-day basis. The Group's management in turn keeps the committee informed of any international transactions that impact the Group's scope of consolidation or structure.

The participants in the consultation process are closely involved in strategic developments affecting the Group.

One notable achievement for 2007 was the preparation by representatives of a charter on the state of workplace safety. The charter is the fruit of collaboration between the permanent secretariat and General Management.

Another highlight of 2007 was the seminar held in March for the members of Saint-Gobain's permanent secretariat for European employee consultation. Aside from the nine members of the secretariat, the seminar brought together representatives of the Human Resources Department of Compagnie de Saint-Gobain and the Delegations, representatives of the European trade union federations EMCEF and FECCIA (which are signatories to the agreements resulting from the consultation process), the DIALOGUES association for the promotion of European employee consultation and a specialist in European employment law from the Sorbonne University. The seminar – the first of its kind for international companies in France – provided an up-to-date overview of European labor legislation, an assessment of the achievements of the current plenary meeting and insight into areas where gradual operational improvements can be made.

Assessments and surveys

The Group is constantly seeking opportunities for dynamic and interactive exchange with its staff, in the form of meetings, surveys and interviews. This approach ensures that the different in-house constituencies work together successfully and that employees' expectations and aspirations are addressed.

A number of regular events allow executives to communicate with General Management. Such events include the "Carrefours Saint-Gobain" meetings, which are organized four times a year and bring together 200 to 300 executives per meeting for an insightful presentation of the Group's strategy. The Group's most senior leaders speak at the meetings to discuss and comment on Saint-Gobain's strategic focuses, priorities and objectives, and to answer the attendees' many questions.

Some of the Delegations and companies also make use of employee satisfaction surveys to gauge morale at all levels and design concrete local action plans based on their findings. Point.P, for example, regularly organizes satisfaction surveys.

INTERNAL SATISFACTION SURVEY AT POINT.P

Since 1999, Point.P has organized a satisfaction survey for all employees at four-year intervals.
The last survey, held in 2007, achieved a 40% response rate, with over 8,000 questionnaires completed and submitted.
The issues raised concerned employees' degree of attachment to the company, relations with customers, internal organization, local management, pay, career opportunities and so forth.
Aside from assessing employees' satisfaction and developments relative to the preceding survey of 2003, the survey sought to provide General Management at the Group and regional-entity levels with a roadmap for progress.
The findings indicate increased satisfaction and an increased sense of pride in belonging to Point.P. However, they also point to areas for improvement, such as closeness to management and customer relations. The related analyses and conclusions have been refined on a regional basis and will enable the various entities to take remedial action at both the national and regional levels in 2008 for the coming two to three years.

In Brazil, the Delegation encourages its subsidiaries to conduct annual or half-yearly satisfaction surveys of all employees in order to assess their views and expectations on various subjects, such as Group strategy, the image of the company and of the Group, working conditions and the extent to which their aspirations are taken into account.

The annual performance evaluations mentioned above also provide an important opportunity for management to establish a dialogue with each employee. These interviews, which represent a key ingredient of the Group's HR policy, are to be extended to all executives and are strongly recommended for non-executives.

Their objectives comprise interviewees taking stock of their functions in concert with their manager, appraising results in relation to the objectives set at the beginning of the period, assessing which skills are required, which ones have already been acquired and which remain to be developed, setting objectives for the next period and defining ways of reaching them, and voicing and testing development projects and opportunities that the Group can offer.

General Management also attaches great importance to maintaining an ongoing dialogue with employee representatives. At the annual plenary meeting held as part of the Collective Agreement on European Works Councils, the Chief Executive Officer presents Group policies and answers participants' questions.

1.6 Compensation and profit-sharing bonuses

Wages

The Group's compensation policy aims to be fair, motivating and transparent. The Delegations set basic wage scales for each country and industry within their territory, in relation to market conditions. Each subsidiary then sets employees' wages based on conditions in its business line and its financial position and human resources situation. Wages of blue-collar workers and other non-executive-band personnel are generally governed by collective-bargaining agreements, depending on the country concerned.

In Western countries, wages are adapted in line with inflation over a multi-year perspective to take account of employees' purchasing power and living standards.

In emerging countries, wages rise regularly as new skills are called upon and the dynamics of the local job market change, which leads to a higher standard of living.

Also, to promote teamwork and ensure that the fruits of success are shared by all, the Group encourages its subsidiaries to sign collective employee incentive profit-sharing agreements whenever possible. In France, such agreements were in force at 87% of subsidiaries in 2007. Profit-sharing bonuses for the year amounted to €69.4 million, representing 4.5% of total payroll.

Executives' pay includes a variable portion for which rules are set at the Group level and tailored to each region based on local conditions.

Employee benefits

In most countries where the Group is based, whether in Europe, Asia or Latin America, Group subsidiaries give their employees supplementary benefits in addition to those provided by law, as well as grants for meals and sometimes for commuting. These additional benefits vary considerably from one country to another. They generally go well beyond employers' obligations under labor law and depend on local living standards.

For example, the Brazilian subsidiaries also offer supplementary benefits in the areas of healthcare coverage, life insurance and pensions.

1.7 Group Savings Plan

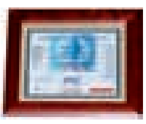
Since 1988 and through the **Group Savings Plan (PEG)**, Saint-Gobain has involved its employees more closely in the Group's success. Thanks to this program, employees with at least three months' seniority (six months' in some countries) can become Saint-Gobain shareholders under preferential terms. They not only benefit from a discount on the stock market price, but also receive, in some countries, an attractive top-up contribution.

The savings generated under this plan generally become available after a period of five or ten years. The Group Savings Plan mutual funds held 6.3% of Compagnie de Saint-Gobain capital stock at end-2007.

The number of countries benefiting from this system now stands at 38 (24 in Europe, including 12 for the leveraged plan, and 14 outside Europe, including five for the leveraged plan).

Top-up payments have been introduced in several countries, based on local conditions, and their rates have been maintained in France and in other countries where they were already in place.

EMPLOYEE SHARE OWNERSHIP AWARD



The high quality of the Group Savings Plan has been officially recognized by the *Fédération Française des Associations d'Actionnaires Salariés* (French Federation of Employee Shareholder Associations), which awarded the first prize to Saint-Gobain in November 2007.

This reward underscores the Group's unwavering efforts to engage employees since the creation of the Group Savings Plan 20 years ago. To date, the Plan has allowed 80% of the Group's French employees and 30% in the rest of the world to become shareholders of the Group.

2. Stabilization of headcount

At December 31, 2007, the Group had 205,730 employees in 57 countries, compared with 206,940 employees at end-2006. More than one-third (35%) of the workforce was employed by the Building Distribution Sector at that date, roughly 23% by the Construction Products Sector and 7% by the Packaging Sector.

2.1 Employment trends

2007 saw a gross reduction of 1,210 in headcount. The reduction was greatest in the Packaging and High-Performance Materials Sectors, which both shed a number of non-strategic activities during the year as part of the Group's refocusing on housing-related markets. Conversely, the number of employees increased at the Flat Glass, Building Distribution and Construction Products Sectors.

Headcount by Sector

• Flat Glass

The Flat Glass Sector added 713 employees in 2007, bringing the total headcount to 37,723 (2006: 37,010).

The number of new hires was highest in Latin America and Central Europe, where several major projects are to be executed. They amounted to 102 in Mexico, 122 in Colombia and 260 in Poland.

In South Korea, however, 211 automobile-related jobs were cut.

• High-Performance Materials

Headcount for the High-Performance Materials Sector dropped by 4,629 during 2007, to a total of 31,367 employees at the year-end. The reduction reflects the sale of the Reinforcements & Composites Division, which had a workforce of 4,491, to Owens Corning in November 2007. The impact of the sale was greatest in geographic markets where Vetrotex had a particularly strong presence, namely the Asia-Pacific region (1,236 employees), France (547 employees), Russia (542 employees), Italy (472 employees) and Mexico (371 employees).

• Construction Products

Headcount for the Construction Products Sector increased from 45,217 in 2006 to 47,541 in 2007. This increase reflects continued business development, in the form of several acquisitions and the expansion of existing activities.

The increase in headcount was driven primarily by two sizeable acquisitions carried out by the Insulation Division, in South Africa (over 500 employees) and Turkey (over 400 employees). Another key contributing factor was the formation of a joint venture in Colombia employing 250 persons.

Other acquisitions have enabled the Group to gain industrial mortars operations in Serbia (66 employees) and Malaysia, and gypsum operations in Vietnam (78 employees).

The restructuring of the Pipe Division also continued, resulting in the closure of the Ilkeston site in the United Kingdom, which employed 256 persons. Further reorganizational measures at the Xuzhou site in China led to the elimination of 220 jobs.

However, the coming on stream of the Ma'anshan (China) blast furnace led to the creation of 205 jobs in the Pipe Division.

• Building Distribution

The Building Distribution Sector remained the most dynamic in the Group, adding 5,639 employees in 2007 and ending the year with a total headcount of 72,648. The increase in employees reflects the emphasis on both external growth (leading to a large number of acquisitions worldwide) and organic growth at existing banners.

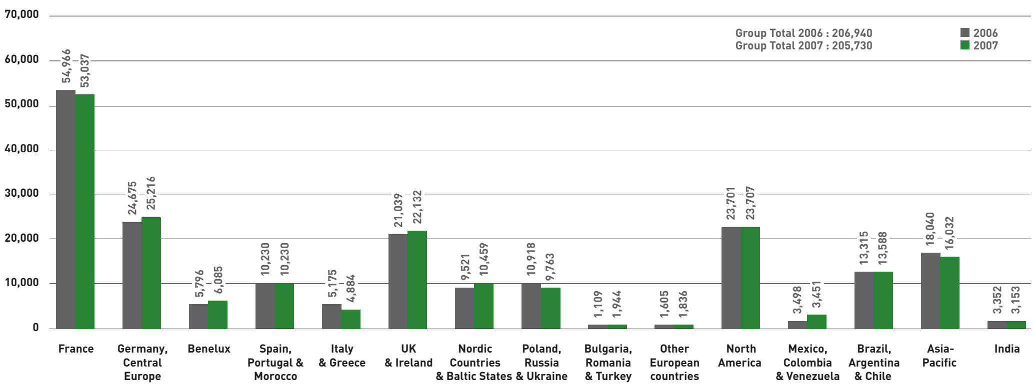
Acquisitions added a total of 3,750 employees, mainly in Europe and North America. The largest acquisition, of Norandex in the United States, brought 1,369 additional employees.

The Plateforme du Bâtiment banner recruited 405 employees for its 12 new outlets in Europe.

Packaging

In 2007, headcount for the Packaging Sector dropped by 5,351. This figure includes the 5,179 persons employed by the Flasks business, which was sold in March 2007. The Flasks business had a particularly strong presence in France (2,633 employees), Russia (1,314 employees), the United States (394 employees), Spain (354 employees), China (280 employees) and Germany (204 employees).

Breakdown of consolidated headcount at end-december (actual group structure)



Headcount by Delegation

Staffing levels by Delegation were virtually stable in general, with increases in a number of regions. Only France, India and the Asia-Pacific region suffered declines, owing to the sale of the Reinforcements Division (High-Performance Materials Sector) and of the Flasks business (Packaging Sector).

However, the brisk demand enjoyed by the Construction Products and Building Distribution Sectors resulted in an increase in headcount in Bulgaria, Romania & Turkey, the United Kingdom, Ireland & South Africa, the Nordic Countries & Baltic States, and Germany.

2.2 Departures

In 2007, the departure rate was 18.3%[1], up from 17% in 2006.

- Attrition accounted for 12.9% of total departures (2006: 12.6%).
- The resignation rate rose by 0.2 percentage point to 7.7% in 2007.

Resignations are traditionally more frequent in the Building Distribution Sector, where staff turnover is higher. However, the Building Distribution Sector's resignation rate of 10.2% for 2007 is still below the peer average. Resignations are likewise more numerous in Eastern Europe and emerging Asian countries (12.5% and 11.1% respectively), where buoyant local job markets are conducive to higher staff turnover. Departure interviews are routinely organized to gain a better understanding of employees' reasons for leaving.

- The overall layoff rate rose by 0.6 percentage point to 5.2% in 2007.

This increase was fuelled by the United States, where the Construction Products Sector was forced to reduce its workforce in response to weak demand in the construction market.

2.3 Programs to preserve jobs

The Group carries out layoffs or restructuring programs only when these are unavoidable to preserve the economic health of the subsidiary or Sector concerned. In such cases, Saint-Gobain's size and diverse business base are undeniable advantages, facilitating internal job transfers.

In France, Saint-Gobain Développement spearheads the Group's active policy of assisting employees, with the aim of maximizing outplacement. Ongoing, personalized support is provided through a local unit to employees affected by downsizing, even after the closure of the facility where they worked.

Saint-Gobain Développement takes into account for each person the professional, material, psychological and family consequences of the redundancy. This way all can benefit, according to their needs, from additional training, assistance for relocating and outplacement for the spouse, or support for implementing a personal project.

2.4 Recruitment

The recruitment rate rose to 20.1% in 2007 from 18.3% in 2006. A total of 40,372 new hires joined the Group during the year.

Building Distribution and Construction Products were the two Sectors that hired most intensively, as they expanded not only through acquisitions, but also through organic growth.

Recruitment slowed for the first time in the emerging countries of Eastern Europe (5,814 new hires) and Asia (3,116 new hires), but remained at a robust level. In Latin America, the trend remained firmly upward (4,173 new hires).

Western countries, too, saw an increase, with 9,173 new hires in France, 2,000 in Germany & Austria, 2,336 in Spain & Portugal, 2,661 in the Nordic Countries and 4,061 in North America.

1 - Data concerning recruitment and departures are based on 98% of total Group staff.

2.5 Use of temporary workers and sub-contractors

Temporary work

When future orders are hard to forecast, if recruitment is hampered by temporary difficulties, or if a missing employee needs to be replaced, Group subsidiaries call upon temporary workers.

In 2007, the absenteeism rate was 3.4%, slightly below the 3.6% level for 2006. The most common causes of absenteeism were illness, maternity and workplace accidents[1].

The services of temporary work agencies are particularly well suited when there is little advance notice and the duration of the need is unknown. This makes them an ideal solution for replacing absent employees, bridging a temporary gap or satisfying a large manpower requirement at short notice. The proportion of temporary staff hours within total hours worked was 7.3%[2] in 2007, representing a 0.4 percentage point increase relative to 2006. All industrial activities contributed to the advance.

Fixed-term employment contracts are better suited to assignments spanning several months, such as replacements of workers on maternity leave or extended sick leave, or large-scale orders that cause a spike in production. At December 31, 2007, the percentage of Group employees on fixed-term contracts was stable at 6.2%[3] (2006: 6.1%).

On average, 32.1% of fixed-term contracts within the Group were transformed into permanent contracts during 2007.

Use of sub-contractors

In all countries where the Group has operations, other companies are called upon to perform work that does not match the Group subsidiary's expertise.
Two types of activities can be outsourced in this way.

- The most common are ancillary tasks such as security, maintenance, cleaning, catering, medical services and, for smaller units, payroll services, information technology and accounting.
- Other tasks that are sometimes outsourced are packaging, and handling or shipping of products. Although related to the manufacturing and distribution of products, such tasks remain removed from the Group's core business.

Before signing an outsourcing contract, Saint-Gobain subsidiaries are required to verify that the partner-company's operations and work contracts comply with all applicable regulations. The employees of suppliers and sub-contractors called upon to work at a Group site must be informed of applicable safety standards upon arrival at the site. Throughout their stay on site, they are subject to the same health and safety rules and regulations as any Group employees working at the same facility. They receive specific training in these areas on an as-needed basis.

In 2007, specific tools and procedures were introduced to improve safety induction for temporary workers (for further information, see Part I on Environment, Health and Safety).

1 - Data concerning absenteeism are based on 93% of total Group staff.
2 - Data concerning temporary workers are based on 90% of total Group staff, excluding North America.

2.6 Employee categories[4]

Executives and managers

The proportion of executives and managers within total staff remained stable at 12% (2006: 11.9%).

In Western countries, where the Group's longstanding presence is reflected in a greater number of head offices and research & development centers (particularly in France and the United States), the proportion of executives and managers is generally higher than in emerging countries.

Clerical staff, technicians and supervisors

This category includes administrative staff, technicians, supervisors and sales personnel.

At December 31, 2007, employees in this category represented 39.2% of total Group staff, up from 36.7% in 2006.

Blue-collar workers

This category represented 48.5% of total Group staff in 2007. The 2.5 percentage point decline relative to 2006 matched the increase in clerical staff, technicians and supervisors.

2.7 Working conditions

Working hours

Work is organized in shifts in many manufacturing activities to meet technical requirements. Distribution operations rarely have this type of work.

In the case of industrial operations, the proportion of employees performing shift work in 2007 was 35.3%[5], down 1.8 percentage points on 2006. There may be two or three shifts, or even more in some cases, when work takes place 24 hours a day, 365 days a year in the context of uninterrupted production. Throughout the Group, any uninterrupted production is performed in cycles with alternating work and rest periods. In all countries, the number of hours worked annually by shift workers is lower than that of workers who have a daily schedule.

In Building Distribution, the specific customer requirements at some outlets require that employees perform shift work. This is the case in Brazil, for example, where some stores are open on a 24-hour basis.

Overtime

To meet a temporary increase in their workload, some Group companies occasionally need to ask their employees to work overtime. On average, overtime hours represented 4.8%[6] of hours worked in 2007.

Part-time work

Part-time work is not very well suited to industrial work patterns and concerns only 3.1%[7] of Group employees.

3 - Data concerning fixed-term contracts are based on 93% of total Group staff, excluding North America.
4 - Data concerning employee categories are based on 98% of total Group staff.
5 - Data concerning working hours are based on 97% of total Group staff.
6 - Data concerning overtime hours are based on 97% of total Group staff.
7 - Data concerning part-time work are based on 97% of total Group staff.

IV. Values at the daily service of responsible development

1. Communicating Group values

Saint-Gobain's response to the challenges of sustainable development is dictated by the values shared by employees throughout the Group.

These shared values are enshrined in the Group Principles of Conduct and Action, whose application is a requirement for belonging to the Saint-Gobain community.

Professional commitment, respect for others, integrity, loyalty and solidarity are the fundamental values that unite corporate leaders and employees, shaping the conduct of each member of Saint-Gobain.

Respect for the law, the environment, worker health and safety and employee rights guide the actions of all corporate leaders and employees in the performance of their duties.

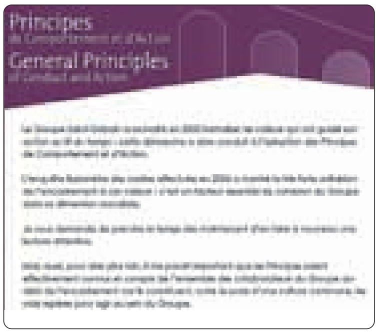
In 2007, the Group Principles of Conduct and Action were at the heart of a fresh communication campaign, which will continue into 2008.

The campaign started at the beginning of 2007 with a message from the Group Chief Executive Officer, Pierre-André de Chalendar, to each executive. The message, to which the full text of the Principles of Conduct and Action was attached, was intended above all to emphasize the importance of values in a Group with diverse businesses and an extensive geographic presence. It also aimed to inspire Group executives to continue to ensure that the Principles of Conduct and Action are put into practice and to communicate the Principles to all employees.

THE PRINCIPLES OF CONDUCT AND ACTION IN NORTH AMERICA

In North America, Saint-Gobain's Principles of Conduct and Action are integrated into the Code of Ethics and Business Conduct Guidelines.
This Code, which has existed for more than 20 years, provides specific guidelines for employee conduct, in keeping with the laws and regulations in force in the United States and Canada. The Code draws employees' attention to the existence of the Principles of Conduct and Action and establishes standards of conduct to be applied in areas such as conflicts of interests, compliance with competition law, the negotiation of public contracts and equal opportunity among the workforce.
Employees are required to sign the Code upon joining the Group and to renew their commitment at two-year intervals (most recently in October 2006).

MESSAGE FROM PIERRE ANDRÉ DE CHALENDAR TO EXECUTIVE PERSONNEL, FEBRUARY 1, 2007



"... I feel that it is important for all Group employees, and not just executive personnel, to know and understand the Principles. The Saint-Gobain Principles are the foundation of our corporate culture and shape the shared mindset that guides behavior within the Group. General Management has therefore decided to carry out a new awareness-raising and training campaign centered on the Principles of Conduct and Action over the coming months.
As an introduction to this important campaign, please find attached the text of the Principles of Conduct and Action. Remember that executive personnel play a key role in communicating and implementing our Principles."

Receipt of the message has been acknowledged by all concerned. The campaign has also been covered in in-house communications. For example, published articles have described the content of the Principles and given examples of their implementation, thereby contributing to the promotion of best practices (see insert). In parallel, a new Principles of Conduct and Action brochure, including a glossary and original photographs illustrating the Group's activities, has been issued. In all, 27 bilingual versions of the brochure have been prepared, with the backing of the General Delegations, and made available to Group employees worldwide. To date, the Principles of Conduct and Action have been translated into more than 31 languages. Posters, too, have been prepared in as many languages and displayed at Group sites.

THE PRINCIPLES IN PRACTICE

Extract from an article published in the *Le Mois* internal newsletter in June 2007

"In September 2006, the India Delegation issued a 14-point Code of Conduct to elaborate on the day-to-day practical application of the Group Principles to employees.

A whistle blowers policy has also been put in place to encourage employees to report any violations of the Principles."

A further measure has been the creation of an intranet site dedicated to the Principles of Conduct and Action and to responsible development. In addition to making the text of the Principles and the glossary available to intranet users, the site houses related news items and instruction materials.

The campaign will continue through to the second half of 2008. The Group is also maintaining its emphasis on awareness-raising and educational initiatives. The Responsible Development Department participates in all of the roughly 30 management-related seminars organized annually by the Group Training Department. The General Delegations, in conjunction with the Responsible Development Department, also arrange targeted awareness-raising initiatives for employees based in their respective territories.

TRAINING IN THE PRINCIPLES: THE BENELUX EXPERIENCE

Extract from an interview with the Director of Human Resources of the Benelux Delegation, which introduced seminars on the Principles of Conduct and Action in 2006 (interview published in the *Le Mois* internal newsletter in April 2007)

"These seminars propose a gradual approach centered on carefully thought-out action, with a view to more serene decision-making based on the Principles. The seminars are coordinated by a person from outside the Group and use case-study analysis to demonstrate the day-to-day application of the Principles in the workplace. Each seminar has a theory component (which typically surprises participants, who do not expect a philosophy lesson). Participants are also divided into sub-groups to explore ethical issues in concrete situations. I believe that the seminars have made us stronger, more determined and more demanding of ourselves and of others."

Finally, in the last quarter of 2007, a survey was conducted among 160 senior executives concerning their respective teams' understanding and perception of the Principles of Conduct and Action. The survey also focused on typical implementation difficulties encountered in the workplace and obstacles and aids to effective application.

The findings confirmed that senior executives and their immediate subordinates feel a strong level of commitment to and identification with the Principles. The survey also shed light on required areas of instruction.

2. Better risk prevention

The effectiveness of risk prevention mechanisms within the Group is highly dependent on the assimilation and strict observance of the Principles of Conduct and Action by employees, especially executives. This is perfectly illustrated by the charges of anti-competitive practices brought by the European Commission against glassmakers (including Saint-Gobain) and the related issue of two Statements of Objections. To pre-empt the risk of more charges, General Management adopted a "competition compliance plan" for all the Group's operations in 2006. The plan focuses on the inculcation of compulsory compliance with the rules of competition law, the provision of information to employees concerning the sanctions applicable in the event of breaches and the provision of compulsory training to all Group executives.

An on-line training module has been prepared in more than ten languages and over 10,000 executives in the Group's various geographic markets have been trained accordingly. These training sessions are supplemented by small, theme-oriented study groups. Impromptu audits are also carried out at subsidiaries with the support of an internationally-established law firm.

In a spirit of responsibility, the Group has extended its analysis of the practice of sustainable development to operating practices to include purchasing and commercial policies. Audit and internal control processes include the environmental and social impacts of the Group's activities, as well as the potential effects on stakeholders. Consideration is also given to legal and financial risks and reputation risk. All these measures have enriched the Group's risk identification capability, thereby enhancing prevention.

(For further information, see the section on internal control procedures at the beginning of this report).

3. Developing responsible purchasing

All members of Saint-Gobain Group's purchasing function have signed up to the Purchasing Charter. The Charter is an offshoot of the Principles of Conduct and Action and provides employees with guidelines for their daily behavior as buyers. The Purchasing Department, in conjunction with the Responsible Development Department and the Environment, Health and Safety Department, has proposed to General Management that the Group further the action initiated by the Purchasing Charter by including social and environmental criteria in the supplier selection process.

The implementation of this proposal, in 2008, will encompass several actions:

- formulating an evaluation methodology based on criteria specific to each purchase category;
- pilot testing purchase categories identified as priorities based on the above-mentioned criteria;
- implementing awareness-raising and training programs for purchasing-function employees;
- formulating and distributing a chart for suppliers outlining the Group's expectations on the environmental and social fronts, accompanied by a self-assessment questionnaire for suppliers. The expectations in question will be consistent with the Group's commitments regarding its own activities.

RESPONSIBLE PURCHASING

"In keeping with the Purchasing Charter, the Responsible Purchasing initiative launched by the Purchasing Department is to be rolled out to all Group entities worldwide and must be complied with by all persons dealing with suppliers and sub-contractors. The environmental and social imperatives for each purchase category must be taken into account when drawing up terms of reference and/or specifications. Suppliers and sub-contractors must provide evidence of their capacity to comply with stipulated requirements throughout the performance of their services."

Responsible Purchasing memo – extract from the Purchasing Charter (2007)

4. Taking part in the development of local communities

The Group has a presence in more than 50 countries and its decentralized organizational structure enables it to play a significant role, respectful of local conditions and needs, in the regions where it has operations.

Saint-Gobain encourages initiatives at the most appropriate level (Delegation, company or site). The form that such initiatives can take is left to the appreciation of the teams involved and may include setting up a dedicated structure, establishing a one-time or ongoing partnership with non-governmental organizations (NGOs) or supporting the volunteer work of employees.

The Group's investment in such actions amounted to more than €3.4 million in 2007. Alongside this financial commitment by the Group, employees are actively encouraged to provide volunteer services.

Three Group foundations are dedicated to local community development:

- At the level of the North America Delegation, the Saint-Gobain Corporation Foundation collects $1.9 million on average in annual contributions. The Foundation runs three programs that donate to NGOs and support or organize charitable actions, based on sites' needs and the wishes of employees.
- Since 1999, the PAM Foundation (which operates under the auspices of Saint-Gobain PAM in France) has assisted young people experiencing social or financial difficulties in the form of mentoring support provided by the company's employees. Over 30 young people have received assistance since the Foundation's inception.
- The Placoplatre® Foundation was created by the Gypsum business in France at the beginning of 2007. It has two main goals:
  - helping young people and job-seekers find internships and work in construction-related activities, particularly plaster and insulation;
  - supporting local environmental, cultural and sports initiatives in a spirit of responsible development. Achievements during the Foundation's first months of operation included the organization of an open day concerning plaster-related activities, held in the Chambéry region, and the provision of support for a plaster sculptures festival, held near one of the Group's quarries in the Hautes-Alpes department.

The projects mentioned above are only a sample of the great variety of initiatives taking place within the Group.

4.1 Supporting and promoting economic development at the local level

Many Saint-Gobain sites are major regional employers and play a key role in local economies. The responsibility of the sites to the regions in which they operate is commensurate with the wide-ranging economic impact of their presence.

In most countries where Saint-Gobain has operations, Group companies have close links with professional organizations and local government authorities. The General Delegations take an active part in the work of chambers of commerce in France (or similar bodies elsewhere) and industry associations, and are in contact with national government agencies.

Going beyond this first form of involvement in local economic life, Group companies contribute to the development of the economic hubs in which they are based, thereby promoting the establishment of an environment conducive to job creation.

The Group's relations with local communities are most formalized in France, where Saint-Gobain's presence is densest. Saint-Gobain Développement has been tasked with assisting local development and helping to revitalize the job market around Group sites.

Saint-Gobain Développement's contribution at the local economic level is multi-faceted, encompassing direct partnerships with small- and medium-sized enterprises (SMEs), the provision of support to local development networks and units, and participation in regional events.

- Comprehensive assistance is offered to start-ups that create jobs, including low-interest equity loans without any requirement for collateral, technical support and transfer of know-how, as part of a long-term partnership between industrial corporation and entrepreneur. In 2007, Saint-Gobain Développement helped to fund the creation of 406 jobs outside the Group. This was achieved by the signature of 69 agreements with companies, representing a financial commitment of more than €1 million. Saint-Gobain Développement also offers SMEs the services of a representative specialized in skills transfer. During 2007, 69 SMEs benefited from these services through more than 100 direct assignments, which involved input by Group employees on specific issues.

Saint-Gobain Développement also continued to extend its work outside France through its "Partenariat France" initiative. In 2007, five SMEs in the Czech Republic, China and Belgium received assistance with their import/export projects. Saint-Gobain has solid bases in those countries and was able to place its local networks at the SMEs' disposal and play host to their VIE program interns.

SUPPORT FOR EMPLOYMENT GENERATION

One fine example of Saint-Gobain's numerous efforts for the benefit of SMEs is its contribution to the creation of 25 jobs in and around Soissons, a town about 100 km north east of Paris. The Group provided an integration company (set up to prepare people with serious difficulties for mainstream employment) with a €75,000 equity loan to help it find premises and bring its project to fruition.

- The Group takes part in a number of local and regional development programs:
- Alizé schemes (local intercompany initiatives in employment areas) allow large corporations and government agencies to pool their technical and financial resources to support business development in a given region. Saint-Gobain Développement has been taking part in such schemes for several years and is particularly active in the regions of Valenciennes and Chambéry.
- A national network of regional centers for technical support and innovation, known as Creati, brings together public bodies and large corporations in a single region for the purpose of supporting SMEs' innovation projects and contributing the necessary know-how. Saint-Gobain Développement, which has already partnered a number of regional Creati centers, extended the network to Picardy at end-2007.

ALIZÉ NETWORK IN VALENCIENNES AND CHAMBÉRY

The Group heads the Alizé networks in Valenciennes in the north of France and Chambéry to the east, where SMEs are in short supply. Initial results in the regions are heartening.
The Chambéry network, launched in 2006, has provided assistance with ten projects, representing a total of 22 days of skills-sharing by partner companies. Thanks to these efforts, all assisted SMEs were able to double their workforce.
In Valenciennes, where the network was launched in 2005, 43 days were devoted to assisting 21 companies. In all, Saint-Gobain Développement granted €215,000 in loans to fund seven projects.
The strength and effectiveness of these networks lie in the relationship of trust between the various parties (companies and local government). The creation of a network triggers a virtuous circle. In Chambéry, for example, ties forged in-connection with Alizé schemes have fostered the creation of the "100 chances 100 jobs" pro-employment scheme, backed by the prefecture.

- Saint-Gobain Développement further focuses on fostering local links in 'sensitive' areas. At end-2005, the Group signed a charter (Charte Entreprise-Territoire) with local government authorities in the grouping of suburban towns north of Paris known as Plaine Commune. Saint-Gobain's companies established in the area are committed to supporting local employment generation, through visits to educational establishments and participation in recruitment fairs (see the paragraph dealing with diversity in the social section of Part III).

Lastly, Saint-Gobain also helps employees who want to create their own business. The Group examines the feasibility of each proposed project through in-depth studies, with the aim of providing constructive help to the person in question. Approved projects are entitled to technical and financial aid and/or coaching over a five-year period. At end-2007, roughly 36 'active' projects were benefiting from financial assistance and coaching.

The spillover effect from such support is considerable, with executed projects frequently contributing to job creation.

4.2 Supporting education and training

The Group provides support at all levels, from secondary school to higher education, and in many forms (ad hoc equipment aid, site visits, participation in national programs, technical training assistance and so forth).

In India, Brazil, Turkey and emerging countries generally, aid is typically centered on the construction of primary schools or the provision of supplies to educational establishments.

Some subsidiaries also organize national or international contests on themes related to their professions, thereby raising awareness of specific issues among young people.

For example, Saint-Gobain Isover has been working with architecture students since 2004. The contest was first launched in Serbia and has since been rolled out to a total of nine Central and Eastern European countries. In 2007, students presented over 250 projects on the theme of the Isover "multi-comfort house" (passive house) and energy savings consistent with certain technical constraints and, above all, the comfort of occupants. Students received both advice and support from the Group. These initiatives yield multiple benefits: introducing the students to the requirements of the work environment, transferring knowledge, showcasing Saint-Gobain products and providing opportunities for students from different universities to interact.

Supporting technical and vocational training is another major focus for Group subsidiaries, as they can leverage their skills and know-how and offer targeted training programs that meet the specific needs of their businesses.

Students from nearby educational establishments are frequently invited for on-site visits. These occasions allow visitors to discover Saint-Gobain's businesses in greater detail, connect what they learn in the classroom with the actual workplace environment and explore vocational avenues.

In the United Kingdom, for example, Saint-Gobain Glass UK's Eggborough facility has devised an innovative program to enhance the course work for technical-track students in their final year of secondary school. By touring the Eggborough facility, teachers and students alike have been able to refine their knowledge of glassmaking and now wish to develop the program to include cross-overs with the Applied Sciences course at Sherburn High School.

In Belgium, the Cefoverre school, founded by the Glass Industry Federation and Saint-Gobain Glass Benelux, organizes an average of 4,500 hours of training per month on glassmaking techniques. In addition, in 2007, Saint-Gobain Glass Benelux and a temporary work agency together set up a five-week training course that new glassmaking operators are required to complete before starting work. The training, organized by Cefoverre, includes numerous hours of practical application in the various workshops of Saint-Gobain's factories in the Basse-Sambre region.

Some of the Group's businesses have gone a step further and introduced training programs tailored to their activities.

AN ACADEMY FOR FUTURE CONSTRUCTION PROFESSIONALS IN SOUTH AFRICA

In the space of four years, the Gypsum business has established three schools providing on-the-job technical training in South Africa's largest cities. The training reflects actual local industry conditions and is recognized by the South African government. The aim is to train young people, unemployed persons and suppliers who wish to acquire valid skills. Saint-Gobain Construction Products Academy is a laboratory for testing products manufactured at the various Group facilities – with test implementation arranged directly by students – and for the development of new products in a learning environment. Entrepreneurship is actively encouraged.
About 2,000 people receive training at the Johannesburg academy each year.
Similar training programs are offered in France and the United Kingdom.

The Group also encourages its subsidiaries to bring in young workers as part of work/study or vocational training programs. In 2007, these young trainees accounted for 2.7% of the workforce in France[1].

1 - Data concerning "youth employment" contracts are based on 99% of total staff in France.

4.3 Promoting solidarity and supporting cultural activities

The Group is involved in a great variety of charitable and cultural initiatives, whether through the direct participation of its employees or simply by way of financial contributions. Some of the most popular themes are healthcare, solidarity with underprivileged populations and culture.

Healthcare

In Europe and North America, all subsidiaries and Delegations are frequently involved in supporting health-related projects.

Some subsidiaries regularly contribute to operations conducted on a national or regional scale. The Group is involved in the "Together" project in the United Kingdom and, through its Flat Glass subsidiaries, in the Télévie televised fund-raising event in the Benelux. In 2007, more than €30,000 in funding was raised for the benefit of cancer research.

In countries that face social and health problems, subsidiaries often lend their help to neighboring communities through local-level initiatives. This is the case in India, for example.

EYE-TESTING CAMPAIGN IN INDIA

Saint-Gobain Glass India has continued the eye-testing campaign launched in 2006 with a local ophthalmology clinic. To date, more than 17,000 persons, many of them schoolchildren, have been examined. A total of 273 elderly persons suffering from cataracts and 290 children have received treatment.

Awareness-raising campaigns on AIDS are also organized, notably in South Africa, where subsidiaries play a particularly active role.

The Gypsum business contributed to the construction of the Saint-Francis clinic, which treats about 30 HIV-positive patients on a daily basis. The clinic was built by Saint-Gobain Construction Products Academy students using materials made by the Group.

Solidarity with underprivileged populations

Solidarity is often expressed at a very local level, in the form of direct offers of help to the neighboring population. In Brazil, solidarity initiatives can include donations of toys and clothing, as well as offers of leisure activities for homeless children or of help to the elderly. In addition to the benefits that they provide for the target population, such activities bring together employees and help strengthen their company spirit.

Donations are also made through specialized bodies. In Mexico, for example, a subsidiary collected over $1,000 in funds, which were donated to the Red Cross.

Support for solidarity initiatives also takes the form of donations of equipment and technical assistance. In Thailand, about 30 executives at the Gypsum business took part in the renovation of a center for underprivileged children.

In the United Kingdom, Saint-Gobain Gypsum has provided support for about ten years to the CRASH association, the construction and property industry charity for the homeless. In 2007, the Group donated £10,000-worth of equipment for the renovation of a center for homeless people in Leeds.

In France, Saint-Gobain Isover has been in partnership with Action Contre la Faim (a charity dedicated to fighting hunger) since 2004 and contributed €300,000 to the collection drive held on World Food Day in 2007.

Culture and research

Among the many initiatives taking place at the local level in artistic and research-related fields, the following are particularly significant.

From 2002 to 2007, Compagnie de Saint-Gobain provided support, as part of a multi-year agreement, for the Louvre museum's acquisition of paintings of the Northern European School, in recognition of the Group's long-standing presence in Germany and Scandinavia. In the sphere of architecture, the Group supports the Friends of the Georges Pompidou Center association and often takes part in renovation projects, mainly by providing glass products. It is also a patron of AROP (Association pour le Rayonnement de l'Opéra de Paris), providing support in the context of prestigious opera and ballet tours in emerging countries where the Group is present.

Most of Saint-Gobain's research centers work closely with government research agencies and higher learning institutions in France and abroad. In 2006, the Group created a network called SUN (Saint-Gobain University Network) with top-drawer universities in Russia, the United States, India and Brazil. In France, a framework agreement has been signed with the CNRS (national scientific research center) and a Saint-Gobain chair has been created at the Ecole Polytechnique and at the ESCPI engineering school.

Since 1995, the Group has sponsored the Saint-Gobain Young Researcher's Award granted by the French Physics Society.

In the same spirit of intellectual exchange, the Group created the Cournot Center for Economic Research - a corporate foundation co-chaired by Robert Solow, winner of the Nobel Prize in Economics, and Jean-Louis Beffa. The Center regularly organizes conferences and debates to support research and promote exchanges in this field.

Finally, Saint-Gobain continues to do its utmost to encourage and support innovation projects to the best of its ability. In 2006, the Group sealed its commitment to start-ups through venture capital funding (see the information on research and innovation in the "Saint-Gobain today" section at the beginning of the report).

Table of indicators

ENVIRONMENTAL indicators	2007 figure	Pages
Percentage of quality-certified sites	12%	85
Percentage of environmentally-certified sites	39%, excluding the Gypsum business	85
Number of Seveso-classified sites	7	69
Total environment-related expenditure	**€146.6 million**	85-86
• Salaries and other payroll expenses for persons working in environmental management	€57.8 million	
• Spending to obtain or renew ISO 14001 and EMAS environmental certification	€1.8 million	
• Environmental taxes	€4.9 million	
• Insurance and guarantees	€31.8 million	
• Environment-related fines	€0.4 million	
• Cost of environmental incidents	€0.9 million	
• Cost of technical measures	€6.3 million	
• Budgets allocated to environment related R&D projects and investments	€30.6 million	
• Miscellaneous costs, including all other exceptional expense (e.g. soil decontamination and rehabilitation of used sites)	€11.5 million	
Investments and investment portions on environmental protection	€107 million	86
Provisions for environmental risks	€146 million	86
Consumption of primary raw materials in glass furnaces	14 million tonnes	92
Consumption of cullet (from internal and external sources) in glass furnaces	7.2 million tonnes	92
Percentage of glass produced by the Group from externally-sourced cullet	29.5%	92
Consumption of cullet by the Insulation Division in the production of glass wool	58.5% by weight of finished product (i.e. 0.56 million tonnes of externally-sourced cullet and 0.14 million tonnes of internally-sourced cullet)	94
Consumption of cullet by the Packaging Sector	56% (i.e. 3.17 million tonnes of externally-sourced cullet and 1.36 million tonnes of internally-sourced cullet)	94
Percentage of production from primary smelting	70%	93
Group production residues	4.7 million tonnes (including 800,000 tonnes generated by the Gypsum business)	93
Percentage of residues used internally and externally	56.9%	93
CO_2 emissions	14.3 million tonnes of CO_2, including 27% produced by the Packaging Sector	94
Number of sites concerned by directive on emissions quotas in Europe	67	94
Tonnes of CO_2 generated in European Union countries	6.8 million tonnes	94
Tonnes of CO_2 concerned by the quota system	5.9, i.e. less than 0.3% of allocated quotas	94
CO_2 emissions from glass furnaces	581 kg per tonne (ranging from 480 kg for the Packaging Sector to 725 kg for the Flat Glass Sector, depending on the type of glass)	94
Average energy required to make one tonne of glass	2,444 kWh	95
Energy consumed by glass furnaces	38,746 GWh	95
CO_2 emissions by the Pipe Division	1.76 tonnes of CO_2 per tonne of cast iron produced in 2007	95
Average energy required to make one tonne of cast iron	5,461 kWh	95
Total energy consumption by the High-Performance Materials Sector (excluding glass furnaces)	4,692 GWh, including 1,199 GWh for the Silicon Carbide business	95
Dust emissions by glass furnaces and production lines	5,836 tonnes, averaging 0.39 kg of particles per tonne of glass produced	96
Pipe-carried dust emissions by the Pipe Division	2,289 tonnes, i.e. 1.19 kg per tonne of cast iron produced	96
Group water consumption	90.6 million cubic meters	97
Water needed to produce one tonne of glass	1.70 cubic meters of water (ranging from 0.87 cubic meters to 7.81 cubic meters per tonne, depending on product and process)	97
Water consumption per tonne of cast iron produced	19.79 cubic meters	97
Water consumption by the High-Performance Materials Sector	13.4 million cubic meters	97
Group energy expenditure	€1.5 billion	95
Fossil-energy purchasing costs as a percentage of Group energy expenditure	60%	95
SO_2 emissions by glass furnaces	36,015 tonnes, averaging 2.39 kg of SO_2 per tonne of glass produced	96
SO_2 emissions by the Pipe Division	2,747 tonnes, i.e. 1.38 kg per tonne of cast iron produced	96
NO_X emissions from glass furnaces	41,738 tonnes, averaging 2.78 kg per tonne of glass produced	96
NO_X emissions from the production of ductile cast iron products	2,500 tonnes, i.e. 1.24 kg per tonne of cast iron produced	96

1 - Data concerning "youth employment" contracts are base on 99% of total staff in France.

Table of indicators

LABOR indicators	2007 figure	Pages
Number of sites having clocked more than one million hours worked without a lost time injury caused by an accident and/or having sustained this performance for over five years	101	89
Lost time injury/days in excess of 24 hours	5.2	87
Group severity rate	0.24	87
Number of Saint-Gobain employee fatalities in the workplace	17	88
Percentage of health and safety-certified sites	52%	85
Total headcount	205,730	106
Departure rate	18.3%	107
Resignation rate	7.7%	107
Layoff rate	5.1%	107
Recruitment rate	20.1%	107
Percentage of temporary workers	7.3%	108
Percentage of fixed-term employment contracts	6.2%	108
Percentage of fixed-term employment contracts transformed into permanent contracts	32.1%	108
Training expenditure as a percentage of total payroll	3.2%	100
Percentage of employees who took at least one training course during the year	71.2%	100
Number of training hours per employee	24.8	100
Percentage of technical and EHS-related training hours	Technical training: 49.9% EHS training: 21%	100 86
Percentage of women in Group staff	22%	102
Percentage of blue-collar workers among women	73.4%	102
Percentage of female executives in Group staff	16%	102
Percentage of disabled employees in France	3.3%	102
Percentage of employees with an employee representative body	63%	103
Number of agreements signed with employee representatives	1,239	103
Percentage of employees covered by a collective bargaining agreement in the Group and in France	Group: 63% France: 99%	103
Percentage of French subsidiaries which have signed a collective incentive profit-sharing agreement	87% (€69.5 million)	105
Percentage of shares held by Group employees	6.3%	105
Number of countries covered by the Group Savings Plan	38	105
Absenteeism rate	3.4%	108
Percentage of employees performing shift work	35.3%	108
Percentage of overtime hours in hours worked	4.8%	108
Percentage of part-time employees	3.1%	108
Percentage of executives and managers	12%	108
Percentage of clerical staff, technicians and supervisors	39.2%	108
Percentage of blue-collar workers	48.5%	108
Percentage of executives and managers who had a performance evaluation	74.4%	93
Percentage of "youth employment" contracts (work/study or vocational training programs) in France	2.7%	114

SOCIAL indicators	2007 figure	Pages
Group expenditure on local community development projects	€3.4 million	111
Number of jobs created outside the Group in France thanks to the support of Saint-Gobain Développement	406 (thanks to 69 assistance agreements with SMEs, for a total of €1 million)	112

Reporting Methodology

The data published in this section on sustainable development at Saint-Gobain comes from three different group-wide reporting systems: the long-running social information system, the social reporting system introduced in 2002, and the Gaïa EHS (environment, health and safety) reporting system introduced in 2003.

Basic reporting principles

Baseline

The baseline for Saint-Gobain social reporting and the Gaïa EHS system was developed consistent with the Global Compact and with the French law of 2001 on new economic regulations.

Social reporting

Stability was a primary consideration in determining social indicators, to provide the most reliable basis for comparison. There have been no major modifications to these indicators since they were introduced in 2002.

Gaïa EHS Reporting

To track developments in international standards such as GRI and respond to feedback from sites, working groups meet on a regular basis. Working-group proposals on upgrades to EHS indicators are submitted for validation at steering committee meetings held twice a year.

Scope

Social reporting

There are 695 social reporting units, split across the Group's business structure to cover virtually all consolidated companies. New companies joining the Group are included as their financial data are consolidated and companies leaving the Group are not included in the figures for the year of departure.

SIS (social information system) reporting, on workforce data, is carried out on a monthly basis.

NRE reporting, on indicators compliant with the standards set by the 2001 legislation, is carried out on an annual basis.

The coverage level for each indicator is given in a footnote at the bottom of the section dealing with social issues.

Gaïa EHS Reporting

There are about 1,200 EHS reporting units, covering all Group sites. Reporting includes all units belonging to consolidated companies in which Saint-Gobain holds a 50% or higher stake by the end of the year. Wherever possible, this includes constructions and acquisitions and excludes closures and sales. The flasks business and most of the Reinforcements & Composites sites have been sold since 2006. For 2007, the Gypsum Division was partially included in environmental indicator figures, but has been fully included in safety data since 2006.

- **The Safety, Industrial Health & Hygiene, General, and Safety On-Line (SOL)** questionnaires seek to cover all Group personnel at all sites. In addition, temporary workers are covered by the Safety and Safety On-Line questionnaires, and sub-contractors by the Safety On-Line questionnaire.

Safety is monitored on a monthly basis, with reports coming in on all accidents occurring during the month, each with a seriousness rating. This reporting covers about 95% of working hours across the Group.

There is also a case-by-case safety reporting system, which permits the systematic reporting of all accident-related lost time injuries (including fatalities) by sites using the SOL system. An explanation of the circumstances giving rise to the accident is also provided.

The Industrial Health & Hygiene questionnaire and the General questionnaire are completed annually.

- **The annual Environment questionnaire** covers all sites requiring special authorizations to operate in France, and all sites with environmental impacts considered significant by those in charge of the Divisions and companies in question.

With respect to ISO 14001, the notion of "concerned site" has changed significantly since 2006. The EHS Department has selected the Gaïa entities specifically required to implement ISO 14001 certification. The Divisions have accordingly validated certain criteria, such as energy consumption, water consumption, and quantity of non-utilized waste, enabling clear identification and monitoring. The level per Division will be validated in 2008, allowing objective criteria to be outlined for the entities involved.

Because of the broad diversity across Saint-Gobain businesses, Gaïa includes a large number of environmental indicators, only some of which will be relevant to any particular site. The indicators are therefore split up to form "environment sub-scopes" relevant to groups of units to which a particular set of environmental impacts and ratios (figures per production tonne) is considered applicable. Saint-Gobain's main environment sub-scopes are as follows:

- the "Glass" sub-scope, covering the Flat Glass and Packaging Sectors, the Reinforcements Division (High-Performance Materials Sector) and the Insulation Division, excluding rock wool (Construction Products Sector), wherever glass furnaces are used (116 entities);
- the "Pipe" sub-scope (24 entities);
- the "HPM SiC" (silicon carbide) sub-scope (10 entities);
- the "HPM non-SiC & non-glass" sub-scope (216 entities);
- the "Others" sub-scope, covering all other units (industrial mortars, Lapeyre plants, glass transformation subsidiaries, etc.) (440 entities).

Of sites declared by the Gypsum Division, 80% provided data on waste disposal, and 72% provided data on water consumption.

In calculating ratios, Saint-Gobain refers to proportions per tonne of finished product, rather than per tonne of glass floated (for Flat Glass) or iron cast (for Pipe).

The data from previous years have not been restated for comparability with the 2007 scope of consolidation, but the comments on the 2007 figures distinguish between consolidation-related factors and other causes of change, wherever relevant. This means that most published figures are based on the actual scope of consolidation at the time.

EHS financial reporting was added to Gaïa in 2007. Previously, the financial indicators were integrated into the general financial reporting system. The scope of these indicators, and their definitions, have been refined by an international working group.

Definitions of indicators

Definitions of indicators are provided in detailed glossaries. The glossaries have been prepared in several languages to ensure that all contributors understand what is required.

Social reporting

The related glossary is available in French, English, Chinese and Polish, and is distributed by the Delegations.

Gaïa EHS Reporting

The related glossary is available in its entirety in French and English, and in summary form in German and Portuguese. Some Delegations have also prepared supplementary handbooks.

Data consolidation

Social reporting

Saint-Gobain's social reporting process involves three stages:

- data input by contributors at companies.
- validation by the head of human resources. Depending on the country in question, the process is carried out at company level or at Delegation level.
- verification and consolidation by Group Social Development management.

Gaïa EHS Reporting

Saint-Gobain's EHS reporting process (monthly and yearly) involves four stages:

- data input by the EHS correspondent or correspondents at the reporting unit concerned;
- validation, usually by the site manager or by the company or divisional coordinator;
- verification by EHS directors for each Sector;
- consolidation by the Group EHS Department.

Difficulties and limitations

Social reporting

The main difficulty in social reporting stems from differences between the countries in which Saint-Gobain plants are sited, and from the fact that the interpretation of indicators may be colored by the local context as regards legislation or local practices. For example, certain French workforce categories, such as "managerial" and "under permanent employment contract", may not have matching definitions in other countries. This explains coverage variations in certain indicators for which information is not universally available. The main discrepancies concern countries whose national legislation diverges from the standards set by France's 2001 legislation.

Gaïa EHS Reporting

Difficulties can be experienced with consolidating data across businesses that use different units of measurement.

Problems can also arise from differences in the interpretation of technical terms across different countries and businesses, on the notion of waste, for example. With the release of group-wide reporting systems, reporting quality is steadily increasing as feedback on reporting practice is processed and specialist teams become more familiar with the new systems. One planned enhancement is the installation at the Group level of operational monitoring of environmental data. This system (linked where possible to logistics databases) will allow daily monitoring of environment-related data, akin to current practice at the local operating level. Progress made and deviations from prescribed limits and objectives can thus be better evaluated, and the risk of error (for example in data input, calculations and the interpretation of definitions) can be reduced.

Consolidated financial statements

Contents

Consolidated
balance sheet

at December, 31

ASSETS (in € millions)	Notes	2007	2006	2005
Goodwill	(3)	9,240	9,327	9,718
Other intangible assets	(4)	3,125	3,202	3,196
Property, plant and equipment	(5)	12,753	12,769	12,820
Investments in associates	(6)	123	238	139
Deferred tax assets	(13)	328	348	447
Other non-current assets	(7)	472	390	443
Non-current assets		**26,041**	**26,274**	**26,763**
Inventories	(8)	5,833	5,629	5,535
Trade accounts receivable	(9)	6,211	6,301	5,813
Current tax receivable		173	66	82
Other receivables	(9)	1,481	1,390	939
Assets held for sale	(2)	105	548	–
Cash and cash equivalents	(17)	1,294	1,468	2,080
Current assets		**15,097**	**15,402**	**14,449**
TOTAL ASSETS		**41,138**	**41,676**	**41,212**

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

EQUITY AND LIABILITIES (in € millions)	Notes	2007	2006	2005
Capital stock	(10)	1,497	1,474	1,381
Additional paid-in capital and legal reserve		3,617	3,315	2,261
Retained earnings and net income for the year		10,625	9,562	8,008
Cumulative translation adjustments		(564)	140	635
Fair value reserves		8	(20)	16
Treasury shares	(10)	(206)	(306)	(310)
Shareholders' equity		**14,977**	**14,165**	**11,991**
Minority interests		290	322	327
Total equity		**15,267**	**14,487**	**12,318**
Long-term debt	(17)	8,747	9,877	11,315
Provisions for pensions and other employee benefits	(12)	1,807	2,203	3,430
Deferred tax liabilities	(13)	1,277	1,222	1,149
Other non-current liabilities and provisions	(14)	923	936	875
Non-current liabilities		**12,754**	**14,238**	**16,769**
Current portion of long-term debt	(17)	971	993	922
Current portion of other liabilities	(14)	1,107	467	680
Trade accounts payable	(15)	5,752	5,519	4,779
Current tax liabilities		317	190	216
Other payables and accrued expenses	(15)	3,425	3,336	2,835
Liabilities held for sale	(2)	41	249	–
Short-term debt and bank overdrafts	(17)	1,504	2,197	2,693
Current liabilities		**13,117**	**12,951**	**12,125**
TOTAL EQUITY AND LIABILITIES		**41,138**	**41,676**	**41,212**

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

Consolidated income statement

(in € millions)	Notes	2007	2006	2005
Net sales	(31)	43,421	41,596	35,110
Cost of sales	(20)	(32,235)	(31,180)	(26,449)
Selling, general and administrative expenses including research	(20)	(7,078)	(6,702)	(5,801)
Operating income		4,108	3,714	2,860
Other business income	(20)	405	184	84
Other business expense	(20)	(1,357)	(576)	(390)
Business income		**3,156**	**3,322**	**2,554**
Borrowing costs, gross		(704)	(676)	(465)
Income from cash and cash equivalents		78	51	52
Borrowing costs, net		(626)	(625)	(413)
Other financial income and expense	(21)	(75)	(123)	(156)
Net financial expense		**(701)**	**(748)**	**(569)**
Share in net income of associates	(6)	14	7	10
Income taxes	(13)	(926)	(899)	(701)
Net income		**1,543**	**1,682**	**1,294**
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		1,487	1,637	1,264
Minority interests		56	45	30

Earnings per share (in €)				
Weighted average number of shares in issue		367,124,675	341,048,210	336,330,568
Basic earnings per share	(23)	4.05	4.80	3.76
Weighted average number of shares assuming full dilution		374,344,930	363,809,234	357,338,208
Diluted earnings per share	(23)	3.97	4.54	3.62

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

Consolidated cash flow statement

(in € millions)	Notes	2007	2006	2005
Net income attributable to equity holders of the parent		**1,487**	**1,637**	**1,264**
Minority interests in net income	(*)	56	45	30
Share in net income of associates, net of dividends received	(6)	(6)	(2)	(5)
Depreciation, amortization and impairment of assets	(20)	1,875	1,717	1,420
Gains and losses on disposals of assets	(20)	(394)	(175)	(81)
Provision for non-competition claim	(25)	694		
Unrealized gains and losses arising from changes in fair value and share-based payments		50	125	107
Cash flows from operations		**3,762**	**3,347**	**2,735**
Changes in inventories	(8)	(364)	(295)	(77)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(9) (15)	337	224	337
Changes in tax receivable and payable	(13)	12	(19)	(30)
Changes in deferred taxes and provisions for other liabilities and charges	(12) (13) (14)	8	(609)	(197)
Net cash from operating activities		**3,755**	**2,648**	**2,768**
Purchases of property, plant and equipment [2007: (2.273); 2006: (2.191); 2005: (1.756)] and intangible assets	(4) (5)	(2,381)	(2,285)	(1,865)
Increase (decrease) in amounts due to suppliers of fixed assets	(15)	76	61	43
Acquisitions of shares in consolidated companies [2007: (837); 2006: (571); 2005: (6.868)], net of cash acquired	(2)	(750)	(501)	(6,436)
Acquisitions of other investments	(7)	(128)	(13)	(123)
Increase (decrease) in investment-related liabilities	(14)	(97)	(195)	376
Investments		**(3,280)**	**(2,933)**	**(8,005)**
Disposals of property, plant and equipment and intangible assets	(4) (5)	256	208	148
Disposals of shares in consolidated companies, net of cash divested	(2)	958	657	203
Disposals of other investments	(7)	2	6	19
Other divestments		(4)	16	11
Divestments		**1,212**	**887**	**381**
(Increase) decrease in loans and deposits	(7)	38	36	96
Net cash used in investing activities/divestments		**(2,030)**	**(2,010)**	**(7,528)**
Issues of capital stock	(*)	325	1,147	155
Minority interests' share in capital increases of subsidiaries	(*)	2	2	4
(Increase) decrease in treasury stock	(*)	86	29	(146)
Dividends paid	(*)	(621)	(459)	(430)
Dividends paid to minority shareholders of consolidated subsidiaries	(*)	(63)	(33)	(29)
Increase (decrease) in dividends payable		21	–	(9)
Increase (decrease) in bank overdrafts and other short-term debt		(506)	(462)	291
Increase in long-term debt		371	1,356	5,264
Decrease in long-term debt		(1,486)	(2,768)	(1,247)
Cash flows from (used in) financing activities		**(1,871)**	**(1,188)**	**3,853**
Increase (decrease) in cash and cash equivalents		**(146)**	**(550)**	**(907)**
Net effect of exchange rate changes on cash and cash equivalents		(28)	(47)	89
Cash and cash equivalents classified as assets held for sale	(2)	–	(15)	–
Cash and cash equivalents at beginning of year		**1,468**	**2,080**	**2,898**
Cash and cash equivalents at end of year		**1,294**	**1,468**	**2,080**

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

Amounts collected and disbursed in respect of interest and tax are not included in the consolidated cash flow statement. They are disclosed in Notes 13 and 21, in accordance with IAS 7.

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

Statement of recognized income and expense

Further to the Group's decision to record actuarial gains and losses in equity, and in accordance with paragraph 93B of IAS 19, the table below presents the corresponding income and expense recorded in equity for the year.

(in € millions)	Shareholders' equity	Minority minoritaires	Total equity
2005			
Translation adjustments	715	37	752
Changes in fair value, net of tax	10	–	10
Changes in actuarial gains and losses, net of tax	(227)	–	(227)
Other	(20)	48	28
Income and expense recognized directly in equity	**478**	**85**	**563**
Net income for the year	1,264	30	1,294
Total recognized income and expense for the year	**1,742**	**115**	**1,857**
2006			
Translation adjustments	(495)	(17)	(512)
Changes in fair value, net of tax	(36)	–	(36)
Changes in actuarial gains and losses, net of tax	293	–	293
Other	–	(2)	(2)
Income and expense recognized directly in equity	**(238)**	**(19)**	**(257)**
Income for the year	1,637	45	1,682
Total recognized income and expense for the year	**1,399**	**26**	**1,425**
2007			
Translation adjustments	(704)	(9)	(713)
Changes in fair value, net of tax	28	–	28
Changes in actuarial gains and losses, net of tax	140	–	140
Other	13 (a)	(18)	(5)
Income and expense recognized directly in equity	**(523)**	**(27)**	**(550)**
Net income for the year	1,487	56	1,543
Total recognized income and expense for the year	**964**	**29**	**993**

(a) Following the exit from the consolidated tax agreement in 2006, a deferred tax asset for €16 million corresponding to the future tax credits that the Group will be eligible for when UK and US employees exercise their stock options, was recorded for the first time this year. Of this amount, €10 million was taken to income corresponding to tax savings on the share-based payment expense on these employees recognized in the income statement as from the adoption of IFRS. The balance was recognized in equity.

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

Consolidated statement of changes in equity

	Number of shares		In € millions								
	Issued	Outstanding (excluding treasury stock)	Capital stock	Additional paid in capital and legal reserve	Retained earnings and net income for the year	Cumulative translation adjustments	Fair value reserves	Treasury stock	Shareholders' equity	Minority interests	Total equity
At January 1, 2005	**340,988,000**	**335,127,590**	**1,364**	**2,123**	**7,368**	**(80)**	**3**	**(152)**	**10,626**	**237**	**10,863**
Income and expense recognized directly in equity			–	–	(250)	715	13	–	**478**	85	**563**
Net income for the year					1,264				**1,264**	30	**1,294**
Total recognized income and expense for the year			**–**	**–**	**1,014**	**715**	**13**	**–**	**1,742**	**115**	**1,857**
Issues of capital stock											
Group Savings Plan	4,267,470	4,267,470	17	138					**155**		**155**
Stock option plans	800	800							**–**		**–**
Other									**–**	4	**4**
Dividends paid (€1.28 per share)					(430)				**(430)**	(29)	**(459)**
Treasury stock purchased		(4,423,117)						(210)	**(210)**		**(210)**
Treasury stock retired									**–**		**–**
Treasury stock sold		1,900,366			12			52	**64**		**64**
Share-based payments					44				**44**		**44**
At December 31, 2005	**345,256,270**	**336,873,109**	**1,381**	**2,261**	**8,008**	**635**	**16**	**(310)**	**11,991**	**327**	**12,318**
Income and expense recognized directly in equity			–	–	293	(495)	(36)	–	**(238)**	(19)	**(257)**
Net income for the year					1,637				**1,637**	45	**1,682**
Total recognized income and expense for the year			**–**	**–**	**1,930**	**(495)**	**(36)**	**–**	**1,399**	**26**	**1,425**
Issues of capital stock											
Group Savings Plan	5,399,291	5,399,291	22	198					**220**		**220**
Stock option plans	342,550	342,550	1	11					**12**		**12**
Other	17,421,612	17,421,612	70	845					**915**	2	**917**
Dividends paid (€1.36 per share)					(459)				**(459)**	(33)	**(492)**
Treasury stock purchased		(1,976,708)						(110)	**(110)**		**(110)**
Treasury stock retired									**–**		**0**
Treasury stock sold		3,620,201			25			114	**139**		**139**
Share-based payments					58				**58**		**58**
At December 31, 2006	**368,419,723**	**361,680,055**	**1,474**	**3,315**	**9,562**	**140**	**(20)**	**(306)**	**14,165**	**322**	**14,487**
Income and expense recognized directly in equity			–	–	153	(704)	28	–	**(523)**	(27)	**(550)**
Net income for the year					1,487				**1,487**	56	**1,543**
Total recognized income and expense for the year			**–**	**–**	**1,640**	**(704)**	**28**	**–**	**964**	**29**	**993**
Issues of capital stock											
Group Savings Plan	4,981,609	4,981,609	20	274					**294**		**294**
Stock option plans	730,420	730,420	3	24					**27**		**27**
Other	84,400	84,400		4					**4**	2	**6**
Dividends paid (€1.70 per share)					(621)				**(621)**	(63)	**(684)**
Treasury stock purchased		(243,277)						(16)	**(16)**		**(16)**
Treasury stock retired									**–**		**–**
Treasury stock sold		2,606,976			(14)			116	**102**		**102**
Share-based payments					58				**58**		**58**
At December 31, 2007	**374,216,152**	**369,840,183**	**1,497**	**3,617**	**10,625**	**(564)**	**8**	**(206)**	**14,977**	**290**	**15,267**

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) adopted for use in the European Union at December 31, 2007 and with the IFRS issued by the International Accounting Standards Board (IASB).
IFRS were applied retrospectively in the opening balance sheet at the transition date (January 1, 2004), with the exception of certain optional or mandatory exemptions provided for under IFRS 1 – First-time Adoption of International Financial Reporting Standards. The Group has elected to apply, as of January 1, 2004, IAS 32 and IAS 39 relating to financial instruments and IFRS 2 relating to share-based payments.
The accounting policies applied are consistent with those applied to prepare the financial statements for the years ended December 31, 2005 and 2006.
The standards, interpretations and amendments to the published standards effective in 2007 (see the table below) do not have a material impact on the Group's consolidated financial statements.
The Group has not early adopted new standards, interpretations or amendments to existing standards that are applicable for financial years beginning on or after January 1, 2008 (see table below).
These consolidated financial statements were adopted by the Board of Directors on March 20, 2008 and will be submitted to the Shareholders' Meeting for approval. The consolidated financial statements are expressed in millions of euros.

Estimates and assumptions

The preparation of consolidated financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the period. Actual amounts may differ from those obtained through the use of these assumptions and estimates.
The main estimates and assumptions described in these notes concern the measurement of employee benefit obligations, provisions for other liabilities and charges, asset impairment tests, deferred taxes, share-based payments and financial instruments. Estimates are revised at the balance sheet date and tests are carried out where appropriate to assess their sensitivity to changes in assumptions.

Summary of new standards, interpretations and amendments to published standards

Standards, interpretations and amendments to existing standards effective in 2007	
IFRS 7	Financial Instruments: Disclosures
IAS 1	Capital Disclosures Amendment
IFRIC 7	Applying the Restatement Approach under IAS 29
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
Standards, interpretations and amendments to existing standards early adopted in 2007	
IFRS 8	Operating Segments
IAS 1R*	Presentation of Financial Statements
IAS 23R*	Borrowing Costs
IFRIC 11	Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

* Revisions to standards not yet adopted by the European Union.

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

Consolidation

Scope of consolidation

The Group's consolidated financial statements include the accounts of Compagnie de Saint-Gobain and of all its wholly owned subsidiaries, 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 2007 are shown in Note 2 and a summary list of the principal consolidated companies at December 31, 2007 is provided in Note 32.

Consolidation methods

Companies over which the Group exercises exclusive control, either directly or indirectly, are fully consolidated.
Interests in jointly controlled entities are proportionately consolidated. The Group has elected not to apply the alternative treatment permitted by IAS 31, under which jointly controlled companies may be accounted for by the equity method.
Companies over which the Group directly or indirectly exercises significant influence are accounted for by the equity method.

Business combinations

The accounting policies applied in respect of business combinations comply with IFRS 3 and are described in the sections dealing with potential voting rights, share purchase commitments and goodwill.

Potential voting rights and share purchase commitments

Potential voting rights conferred by share call options relating to minority interests are only taken into account in determining whether the Group exclusively controls an entity when the options are currently exercisable.
When calculating its percentage interest in companies that it controls, the Group takes into consideration the impact of cross put and call options contracted with minority interests in relation to those companies' shares. 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 for the put option, with a corresponding reduction in minority interests and increase in goodwill. Any subsequent changes in the fair value of the liability are recorded as a component of goodwill.

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

Assets that are immediately available for sale and for which a sale is highly probable, are classified as non-current assets held for sale. Related liabilities are classified as liabilities directly associated with non-current assets 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, are measured at the lower of carrying amount and fair value less costs to sell. Depreciation ceases when non-current assets or disposal groups are classified as held for sale. When the assets held for sale are consolidated companies, deferred tax is recognized on the difference between the book value of the shares sold and their tax basis, in accordance with IAS 12.
Non-current assets held for sale and directly associated liabilities are presented separately on the face of the consolidated balance sheet, and income and expenses are still recognized in the consolidated income statement on a line-by-line basis. Income and expenses arising on discontinued operations are recorded as a single amount on the face of the consolidated income statement.
At each balance sheet date, the value of these assets and liabilities is reviewed to determine whether a loss or gain should be recognized due to a change in the fair value less costs to sell.

Intragroup transactions

All intragroup balances and transactions are eliminated in consolidation.

Minority interests

When the equity of a consolidated subsidiary is negative at year-end, the minorities' share of equity is expensed by the Group unless the third parties have a specific obligation to contribute their share of losses. If these companies return to profit, the Group's equity in their earnings is recorded by the majority shareholder up to the amount required to cover losses recorded in prior periods.
The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group.

Translation of the financial statements of foreign companies

The consolidated financial statements are presented in euros, which is the functional and presentation currency of Compagnie de Saint-Gobain.
Assets and liabilities of subsidiaries outside the euro zone are translated into euros at the closing rate and income and expense items are translated using the average exchange rate for the period, except when exchange rates have been particularly volatile.
The Group's share of any translation gains or losses is included in equity under "Cumulative translation adjustments", until the foreign investments to which they relate are sold or liquidated, at which time they are taken to the income statement.
As the Group elected to use the exemption allowed under IFRS 1, the cumulative translation differences that existed at the transition date were reset to zero at January 1, 2004.

Foreign currency transactions

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the transaction date. Assets and liabilities denominated in foreign currencies are translated at the closing rate and any exchange differences are recorded in the income statement. 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

When an entity is acquired by the Group, the identifiable assets, liabilities, and contingent liabilities of the entity are recognized at their fair value. Any adjustments to provisional values as a result of completing the initial accounting are recognized within twelve months of the acquisition date.
The acquisition cost is the amount of cash and cash equivalents paid to the seller plus any costs directly attributable to the acquisition, such as fees paid to investment banks, attorneys, auditors, independent valuers and other consultants.
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired entity. If the cost of the acquisition is less than the fair value of the net identifiable assets, liabilities and contingent liabilities acquired, the difference is recognized directly in the income statement.
Goodwill on the acquisition of companies accounted for by the equity method is included in "Investments in associates".

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 reputation on a national and/or international scale. These brands are not amortized but are tested for impairment on an annual basis. Other brands are amortized over their useful lives, not to exceed 40 years.
Costs incurred to develop software in-house are included in intangible assets and relate primarily to configuration, programming and test-run expenses. Patents and purchased computer software are amortized over their estimated useful lives. Patents are amortized over a period not exceeding 20 years. Purchased software is amortized over a period of 3 to 5 years.
Research costs are expensed as incurred. Development costs meeting the recognition criteria under IAS 38 are included in intangible assets and amortized over their estimated useful lives (not to exceed 5 years) as of the date on which the products to which they relate are first marketed.
The greenhouse gas emissions allowances granted to the Group have not been recognized as assets in the consolidated accounts, as IFRIC 3 – Emission Rights has been withdrawn. A provision is recorded in the consolidated financial statements to cover any difference between the Group's emissions and the allowances granted. Details relating to the measurement of emissions allowances available at the balance sheet date are provided in Note 4.

Property, plant and equipment

Land, buildings and equipment are carried at historical cost less accumulated depreciation and impairment.
Cost may also include incidental expenses directly attributable to the acquisition such as transfers from equity of any gains/losses on qualifying cash flow hedges relating to purchases of property, plant and equipment.
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. These include mainly topographical or geological studies, drilling costs, sampling and all costs incurred in assessing the technical feasibility and commercial viability of extracting the mineral resource.
Borrowing costs incurred for the construction and acquisition of property, plant and equipment are recorded under “Net financial expense” and are not included in the cost of the related asset.
The Group has opted not to record any residual value for its property, plant and equipment, with the exception of its head office building, which is its only material non-industrial asset. Most of the Group’s industrial assets are intended to be used until the end of their useful lives and are not generally expected to be sold.
Property, plant and equipment other than land is depreciated using the components approach, on a straight-line basis over the following estimated useful lives:

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

Gypsum quarries are depreciated over their estimated useful lives, based on the quantity of gypsum extracted during the year compared with the extraction capacity.
Provisions for site restoration are recognized as components of assets in the event of a sudden decline in site conditions and whenever the Group has a legal or constructive obligation to restore a site in accordance with contractually determined conditions. These provisions are reviewed periodically and may be discounted over the expected useful lives of the assets concerned. The component is depreciated over the same useful life as that used for mines and quarries.
Investment grants relating to purchases of non-current assets are recorded under “Other payables and accrued expenses” and taken to the income statement over the estimated useful lives of the relevant assets.

Leases

Assets held under leases which transfer to the Group substantially all of the risks and rewards of ownership (finance leases) are recognized as property, plant and equipment. They are capitalized 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.
The items of property, plant and equipment acquired under finance leases are depreciated 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 net of related interest in the balance sheet.
Rental payments under operating leases are expensed as incurred.

Non-current financial assets

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

Impairment of assets

The Group tests its property, plant and equipment, goodwill and other intangible assets for impairment on a regular basis. These tests consist of comparing the asset’s carrying amount to its recoverable amount, which is the higher of the asset’s fair value less costs to sell and its value in use, calculated by reference to the present value of the future cash flows expected to be derived from the asset.
For property, plant and equipment and amortizable intangible assets, this impairment test is performed whenever an asset generates operating losses due to either internal or external factors, and when the annual budget or related business plan does not forecast a recovery.
For goodwill and other intangible assets (including brands with indefinite useful lives), an impairment test is performed at least each calendar year based on the related five-year business plan. Goodwill is reviewed systematically and exhaustively at the level of each cash-generating unit (CGU) and where necessary more detailed tests are carried out. The Group’s reporting segments are its five business sectors, which may each include several CGUs. A CGU is a reporting sub-segment, generally defined as a core business of the segment in a given geographical area. It typically reflects the manner in which the Group organizes its business and

analyzes its results for internal reporting purposes (37 main CGUs identified and monitored in 2007).
The method used for these impairment tests is consistent with that employed by the Group for the valuation of companies upon business combinations or acquisitions of equity interests. The carrying amount of the CGUs is compared with the present value of future cash flows excluding interest but including tax. Cash flows for the fifth year of the business plan are rolled forward over the following two years. Normative cash flows (based on the mid-point in the business cycle) and are then projected to perpetuity for goodwill using a low annual growth rate (generally 1%, except for emerging markets or businesses with a high organic growth potential where the rate may be increased to 1.5%). The discount rate used for these cash flows corresponds to the Group's cost of capital (7%). A country risk premium is added where appropriate depending on the geographic area concerned, bringing the discount rate up to 8.5% in some cases.
The recoverable amount calculated using a post-tax discount rate gives the same result as a pre-tax rate applied to pre-tax cash flows.
Different assumptions measuring the sensitivity of the method used are systematically tested using the following parameters:

- +/-1% change in annual average growth rate for cash flows;
- +/-0.5% change in discount rate applied to cash flows.

When the annual impairment tests reveal that an asset's fair value is lower than its carrying amount, an impairment loss is recorded if the fair value less costs to sell is also lower than the carrying amount. The impairment loss recorded reduces the carrying amount of the asset or goodwill concerned to its recoverable amount.
Impairment losses on goodwill can never be reversed through income. For property, plant and equipment and other intangible assets, an impairment loss recognized in a prior period may be reversed if there is an indication that the impairment no longer exists and that the recoverable amount of the asset concerned exceeds its carrying amount.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories includes the costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Cost is generally determined using the weighted-average cost method, and in some cases the First-In- First-Out (FIFO) method. Cost of inventories may also include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to foreign currency purchases of raw materials.
Net realizable value is the selling price in the ordinary course of business, less estimated costs to completion and costs to sell.

Operating receivables and payables

Operating receivables and payables are stated at nominal value as they generally have maturities of under three months. Provisions for impairment are established to cover the risk of full or partial non-recovery.
For commercial receivables transferred under securitization programs, the contracts concerned are analyzed and if substantially all the risks related to the receivables are not transferred to the financing institutions, they remain in 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 debt including borrowings under finance leases 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 have been classified as debt, and Océane convertible bonds are broken down into a liability component and an equity component until they are converted.
At the balance sheet date, bonds and private placement notes are measured at amortized cost, and premiums and issuance costs are amortized using the effective interest rate method.

Short-term debt
Short-term debt includes the current portion of the long-term debt described above, as well as 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 debt derivatives not qualifying for hedge accounting.

Cash and cash equivalents
Cash and cash equivalents mainly consist of cash on hand, bank accounts, and marketable securities that are short-term, highly liquid investments readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Marketable securities are measured at fair value through profit or loss.
Further details about long- and short-term debt are provided in Note 17.

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 its ordinary business operations.
In accordance with IAS 32 and IAS 39, all of these instruments are recognized in the balance sheet 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 the fair value both of derivatives that are designated and qualify as fair value hedges and derivatives that do not qualify for hedge accounting are taken to the income statement. However, the effective portion of the gain or loss arising from changes in the fair value of derivatives that qualify as cash flow hedges is recognized directly in equity, whereas the ineffective portion is recognized in the income statement.

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

Cash flow hedges
Cash flow hedge accounting is applied by the Group mainly for derivatives used to fix the cost of future investments in financial assets or property, plant and equipment, as well as future purchases of gas and fuel oil (fixed-for-variable price swaps). These instruments are matched to highly probable purchases. By using cash flow hedges, the Group can defer the impact on the income statement of the effective portion of changes in the fair value of these instruments by recording them in a special hedging reserve in equity. The reserve is reclassified into the income statement at the date the hedged transaction occurs, at which time the hedged item is also recognized in the income statement. In the same way as for fair value hedges, cash flow hedging limits the Group's exposure to changes in the fair value of these price swaps to the ineffective portion of the hedge.

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

Employee benefits – defined benefit plans
After retirement, the Group's former employees are eligible for pension payments in accordance with the applicable laws and regulations in the respective countries in which the Group operates. There are additional pension obligations in certain Group companies, both in France and other countries.
In France, employees receive indemnities on retirement based on past service and other terms in accordance with the respective collective bargaining agreements.
The Group's obligations with respect to pensions and retirement bonuses are calculated by independent actuaries at the balance sheet date, using a method taking into account projected end-of-career salaries and the specific economic conditions applicable in each country. These obligations may be financed by pension funds, with a provision recognized in the balance sheet for the outstanding liability.
The effect of any modifications to the plans (past service cost) is amortized on a straight-line basis over the residual vesting period, or immediately if the benefits are already vested.
Actuarial gains or losses are the result of year-on-year changes

in the actuarial assumptions used to measure the Group's obligations and plan assets, as well as experience adjustments (differences between the actuarial assumptions and what has actually occurred). They are recognized in equity as they occur.
In the United States, Spain and Germany, the Group's retired employees receive benefits other than pensions, mainly concerning healthcare. The Group's obligations in this respect are determined using an actuarial method and are covered by a provision recorded in the balance sheet.
Provisions are also set aside on an actuarial basis for a certain number of additional benefits, such as jubilee or other long-service benefits, deferred compensation, specific welfare benefits, and termination benefits in various countries. Any actuarial gains and losses relating to these benefits are recognized immediately.
The Group has elected to recognize the interest costs for these obligations and the estimated return on plan assets as financial income or expense.

Employee benefits – defined contribution plans

Contributions to defined contribution plans are expensed as incurred.

Employee benefits – share-based payments

The Saint-Gobain Group elected to apply IFRS 2 from January 1, 2004 to all its stock option plans since the plan launched on November 20, 2002.
Costs related to stock option plans are calculated using the Black & Scholes option pricing model, based on the following parameters:

- Volatility assumptions, which 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 during which the share price was extraordinarily volatile have been disregarded;
- Assumptions relating to the average holding period of options, based on actual behavior of option holders;
- Expected dividends, as assessed on the basis of historical information dating back to 1988;
- The risk-free interest rate, which is the yield on long-term government bonds.

The cost calculated using this method is recognized in the income statement over the vesting period of the options, ranging between three to four years depending on the plan concerned.
For stock subscription options, the sums received by the Company when the options are exercised are 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".
The method used by Saint-Gobain to calculate the costs relating to its Group Savings Plan takes into account the fact that shares granted to employees under the plan are subject to a five- or ten-year holding period. The cost relating to this holding period is measured and deducted from the 20% discount granted by the Group on employee share awards. The bases for the calculation are as follows:

- The exercise price is that determined by the Board of Directors and corresponds to the average of the opening share prices quoted over the 20 trading days preceding the date of grant, less a 20% discount.
- The grant date of the options is the date on which the plan is announced to employees. For Saint-Gobain, this is the date on which the terms and conditions of the plan are announced on the Group's intranet.
- The interest rate applicable to employee share awards and used to determine the borrowing cost relating to the shares during the holding period is the rate that would be applied by a bank to an individual with an average risk profile for a general purpose five- or ten-year consumer loan repayable at maturity.

In 2007, Saint-Gobain set up a leveraged Group Savings Plan. This plan offers a 15% discount and allows participating employees to receive, at maturity and for each share subscribed, a capital gain equivalent to the gain on ten shares over the period. The expense recorded for this plan in accordance with IFRS 2 is calculated in the same way as for the standard plan, but takes into account the advantage accruing to employees who benefit from the same market conditions as the Group.
The expense resulting from these two plans was recognized in full at the end of the subscription period during the first half of 2007.

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 an accumulated portion of the net income of Compagnie de Saint-Gobain.

- **Retained earnings and net income for the period**

Retained earnings and net income for the period correspond to the Group's share in the accumulated consolidated income of all consolidated companies, net of dividends paid.

- **Treasury stock**

Treasury stock is stated at cost 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.

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 represents an off-balance sheet commitment. However, contingent liabilities arising on a business combination are recognized in the balance sheet.

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 commitments to purchase shares in non-consolidated companies from minority interests, as well as liabilities relating to the acquisition of shares in Group companies, including additional purchase consideration. They are reviewed on a periodic basis. The impact of the passage of time is recognized in financial income and expense.

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

Group companies account for construction projects using the percentage of completion method as follows:

- 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 recoverable;
- When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Construction contracts do not represent a material portion of the Group's sales.

Operating income

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

Other business income and expense

Other business income and expense mainly include movements in provisions for claims and litigation and environmental provisions, gains and losses relating to the sale of assets, impairment losses, and restructuring costs incurred upon the disposal or discontinuation of operations as well as charges related to arrangements for personnel affected by workforce reduction measures.

Business income

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

Financial income and expense

Financial income and expense includes borrowing and other financing costs, income from cash and cash equivalents, financial expense relating to pensions and other post-employment benefits, net of return on plan assets, and other financial income and expenses.

Income taxes

Compagnie de Saint-Gobain was previously assessed for income tax purposes on its consolidated taxable income, pursuant to an agreement with the French tax authorities. As the Group decided not to renew this agreement, this taxation method was discontinued as of December 31, 2006 (see Note 13).

Current income tax is the estimated amount 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 the current tax amount recorded in previous financial periods.

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

Deferred tax assets are recognized only if it is considered probable that there will be sufficient future taxable income against which the temporary difference can be utilized. They are reviewed at each balance sheet date and written down to the extent that it is no longer probable that there will be sufficient taxable profit against which the temporary difference can be utilized.
No provision is made in respect of tax payable on earnings of subsidiaries that are not intended to be distributed.
In accordance with interpretation SIC 21, a deferred tax liability is recognized for brands acquired in connection with a business combination.
Deferred taxes are recognized as income or expense in the income statement, except if they relate to items that are recognized directly in equity, in which case the deferred taxes are also recognized in equity.

Earnings per share

Basic earnings per share are calculated by dividing net income by the average number of shares in issue during the period, excluding treasury stock.
Diluted earnings per share are calculated based on adjusted net income (see Note 23) and including in the average number of shares in issue the conversion of all outstanding dilutive instruments, such as stock options and convertible bonds. The Group applies the treasury stock method for the purpose of this calculation, under which it is assumed 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 less 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 22.

Return on capital employed

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

Cash flow statement

"Cash flows from operations" as presented in the consolidated cash flow statement 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. The provision for the non-competition claim has been readjusted for the purposes of calculating cash flows from operations.

Segment information

The Group's primary reporting segment is based on sectors and divisions and the secondary reporting format is based on geographic areas, reflecting the Group's internal structure.

NOTE 2

Changes in Group structure

Changes in Group structure in 2007

2007

	France	Outside France	Total
Fully consolidated companies			
At January 1	222	1,240	1,462
Newly consolidated companies	19	80	99
Merged companies	(23)	(92)	(115)
Deconsolidated companies	(9)	(36)	(45)
Change in consolidation method	1	14	15
At December 31	**210**	**1,206**	**1,416**
Proportionately consolidated companies			
At January 1	2	10	12
Newly consolidated companies		2	2
Deconsolidated companies		(1)	(1)
Change in consolidation method		–	–
At December 31	**2**	**11**	**13**
Companies accounted for by the equity method			
At January 1	9	91	100
Newly consolidated companies		11	11
Merged companies	(1)	(6)	(7)
Deconsolidated companies	(1)	(9)	(10)
Change in consolidation method	(1)	(14)	(15)
At December 31	**6**	**73**	**79**
Total at December 31	**218**	**1,290**	**1,508**

Significant changes in Group structure

2007

The Building Distribution sector made several acquisitions in 2007, mainly in France, the United Kingdom, Germany, the Netherlands, Spain and the United States.
On August 31, 2007, Saint-Gobain acquired the US group Norandex. Sales from its distribution business were consolidated over the last four months of 2007 and totaled €161 million.
As from January 1, 2007, Izocam and Saint-Gobain Envases SA, which were acquired at the end of 2006 and previously accounted for by the equity method, are accounted for using proportionate consolidation (Izocam) and full consolidation (Saint-Gobain Envases SA).
Following the agreement entered into with investment funds Sagard and Cognetas, the Saint-Gobain Desjonquères group, which was classified as held for sale at December 31, 2006, was sold on March 29, 2007. The capital gain on the sale of the entire capital stock of Saint-Gobain Desjonquères was recorded under other business income (see Note 20). Consolidated sales for first-quarter 2007 amounted to €149 million.
The Saint-Gobain Group subsequently decided to acquire a 19.9% interest in holding company Cougard Investissements, the parent company of the new Desjonquères group (SGD), for an amount of €42 million. This investment breaks down as €14 million in available-for-sale securities and €28 million in convertible bonds, both of which are included under other non-current assets. Changes in the fair value of these convertible bonds will be accounted for through income.
On November 1, 2007, the Group's Reinforcement and Composites division (excluding the US fiber reinforcements business) was sold to Owens Corning. The related assets and liabilities were included on the held for sale lines in the consolidated balance sheet at June 30, 2007 and until October 31, 2007, the effective date of the transaction. External ten-month sales totaled €558 million in 2007.

2006

In 2005, the Group acquired the entire capital stock of China-based Xugang (Xuzhou General Iron and Steel Works) for €83 million, or €94 million including net debt assumed. As this acquisition was authorized by the Chinese authorities in late December 2005, the company – which reported sales of €126 million in 2006 – has only been consolidated since January 1, 2006.
In first-half 2006, the Group acquired the entire capital stock of Ireland-based JP Corry, which was consolidated as from June 1, 2006. JP Corry's estimated full-year sales for 2006 amounted to €151 million.
The Group also entered into an agreement to sell Saint-Gobain Calmar to the MeadWestvaco group. Saint-Gobain Calmar's assets and liabilities were classified as held for sale as from January 26, 2006, the date the sale process was announced, through June 30, 2006, the effective date of the sale. Consolidated sales for first-half 2006 totaled €182 million.

2005

In the first half of 2005, the Group acquired the entire capital stock of the Swiss company Sanitas Troesch for €226 million (€210 million including net cash acquired). This entity was fully consolidated from March 1, 2005.
In the second half of 2005, the Group acquired the entire capital stock of the Norway-based building materials distributor Optimera Gruppen AS for €203 million (€280 million including net debt assumed). This company was fully consolidated from August 1, 2005.
The acquisitions carried out by the Saint-Gobain Group in 2005 (excluding BPB) represented total full-year sales of €1,733 million.
In 2005 the Group also acquired the BPB group through a cash offer which closed on December 2, 2005. The Saint-Gobain Group fully controlled BPB at December 31, 2005, and the total acquisition cost was €5,928 million (€6,506 million including net debt assumed). BPB was fully consolidated as of December 1, 2005 and its contribution to consolidated sales was €237 million for that year. In 2006, the impact of BPB's consolidation on the Group's sales amounted to €3,895 million before eliminating intragroup transactions (€3,510 million after eliminating intragroup transactions).
A pro forma unaudited consolidated income statement for 2005 is included in the Group's 2006 annual report.
The Group also completed the sale of Saint-Gobain Stradal to CRH on August 16, 2005. This company, which was included in assets held for sale at June 30, 2005, contributed €85 million to consolidated sales in 2005.

Impacts on the consolidated balance sheet

At December 31, 2007, the impact on the balance sheet of changes in Group structure and in consolidation methods was as follows:

(in € millions)	Increase	Decrease	Total
Impact on assets			
Non-current assets	657	(910)	(253)
Inventories	177	(326)	(149)
Trade accounts receivable	217	(276)	(59)
Other current assets excluding cash and cash equivalents	22	(57)	(35)
	1,073	**(1,569)**	**(496)**
Impact on equity and liabilities			
Shareholders' equity and minority interests	6	(8)	(2)
Provisions for pensions and other employee benefits	4	(36)	(32)
Non-current liabilities	4	(61)	(57)
Trade accounts payable	159	(180)	(21)
Other payables and accrued expenses	68	(172)	(104)
	241	**(457)**	**(216)**
Enterprise value of consolidated companies acquired/divested (a)	**832**	**(1,112)**	**(280)**
Impact on consolidated net debt*			
Impact on cash and cash equivalents	87	(37)	50
Impact on net debt excluding cash and cash equivalents (b)	82	(154)	(72)
	(5)	**(117)**	**(122)**
Acquisitions/disposals of shares in consolidated companies net of cash acquired/divested (a) - (b)	**750**	**(958)**	**(208)**

* Representing debt, short-term credit facilities and cash and cash equivalents of companies acquired/divested.

Assets and liabilities held for sale

At June 30, 2007, assets and liabilities relating to the Reinforcements and Composites business were included on the held for sale lines of the consolidated balance sheet. The sale of the Reinforcements and Composites business on November 1, 2007 had no further impact on the income statement in light of the one-off provision booked at June 30, 2007 (see Note 22). In the year-end balance sheet, only the US fiber reinforcements business continued to be classified as held for sale.

In 2006, the Group launched a process to sell its Flasks business (Saint-Gobain Desjonquères group) which was finalized at the end of the first quarter of 2007. Accordingly, the related assets and liabilities were reported as held for sale in the consolidated balance sheet at December 31, 2006.

In accordance with IAS 12, a deferred tax liability relating to the cumulative reserves carried in respect of these companies was recognized in 2006 for an amount of €10 million, and subsequently reversed at the date of the sale on March 31, 2007.

Changes in assets and liabilities held for sale over the year were as follows:

(in € millions)	Assets	Liabilities	Provisions
At December 31, 2006	**548**	**249**	**–**
Reclassifications to held for sale	950	278	
Additions to provisions			161
Disposals	(1,333)	(486)	(101)
At December 31, 2007	**165**	**41**	**60**

At December 31, 2007, the Group booked a provision of €60 million enabling assets and liabilities held for sale to be written down to their fair value.

Assets and liabilities held for sale break down as follows:

(in € millions)	Dec. 31, 2007	Dec. 31, 2006
Goodwill and other intangible assets	3	6
Property, plant and equipment, net	89	220
Other non-current assets	2	9
Inventories, trade accounts receivable and other accounts receivable	71	298
Cash and cash equivalents	–	15
Total assets held for sale	**165**	**548**
Provisions for pensions and other employee benefits	3	18
Deferred tax liabilities and other non-current liabilities	11	29
Trade accounts payable, other payables and accrued expenses, and other current liabilities	17	158
Short-term debt and bank overdrafts	10	44
Total liabilities held for sale	**41**	**249**

NOTE 3

Goodwill

(in € millions)	2007	2006	2005
At January 1			
Gross value	9,481	9,756	5,248
Accumulated impairment	(154)	(38)	(45)
Net	**9,327**	**9,718**	**5,203**
Movements during the year			
Changes in Group structure	540	28	4,253
Impairment	(82)	(125)	(36)
Translation adjustments	(469)	(289)	298
Reclassification to assets held for sale	(76)	(5)	
Total	**(87)**	**(391)**	**4,515**
At December 31			
Gross value	9,440	9,481	9,756
Accumulated impairment	(200)	(154)	(38)
Net	**9,240**	**9,327**	**9,718**

Movements in goodwill during the year mainly reflect changes in Group structure resulting from the following acquisitions: Izocam (acquisition cost: €111 million, including €42 million in respect of 2007; goodwill: €67 million); Norandex in the United States (acquisition cost: €273 million, goodwill: €152 million); and various other acquisitions in the Building Distribution sector, mainly in France, the United Kingdom, Germany, the Netherlands and Spain.

Movements in goodwill during 2006 reflect several acquisitions carried out by the Building Distribution sector, mainly in France, the United Kingdom and Scandinavia, partly offset by decreases stemming from divestments made in the year (see Note 2). Impairment for 2006 concerns mainly the North American Bottles and Jars business for €89 million.

Movements in goodwill during 2005 were due mainly to the following acquisitions: Sanitas Troesch group (acquisition cost: €226 million; goodwill: €54 million after allocation to retail brands in an amount of €69 million net of deferred taxes); Optimera Gruppen AS (acquisition cost: €203 million; goodwill: €184 million); and BPB (acquisition cost: €5,928 million; goodwill: €4,054 million after allocation of the purchase price in 2006 in an amount of €823 million net of deferred taxes).

NOTE 4

Other intangible assets

(in € millions)	Patents	Non-amortizable brands	Software	Development costs	Other	Total
At January 1, 2005						
Gross value	119	1,504	478		266	2,367
Accumulated amortization and impairment	(98)		(325)		(140)	(563)
Net	**21**	**1,504**	**153**	**–**	**126**	**1,804**
Movements during the year						
Changes in Group structure	5	1,302	33	4	(17)	1,327
Acquisitions	2		50	26	31	109
Disposals			(1)			(1)
Translation adjustments	1	16	11	1	11	40
Amortization and impairment	(3)		(69)	(2)	(9)	(83)
Total	**5**	**1,318**	**24**	**29**	**16**	**1,392**
At December 31, 2005						
Gross value	145	2,822	584	35	291	3,877
Accumulated amortization and impairment	(119)		(407)	(6)	(149)	(681)
Net	**26**	**2,822**	**177**	**29**	**142**	**3,196**
Movements during the year						
Changes in Group structure	(7)		50	1	(35)	9
Acquisitions		1	42	11	40	94
Disposals			(1)	(1)	(3)	(5)
Translation adjustments		20	(7)		(8)	5
Amortization and impairment	(3)		(76)	(7)	(10)	(96)
Reclassification to assets held for sale			(1)			(1)
Total	**(10)**	**21**	**7**	**4**	**(16)**	**6**
At December 31, 2006						
Gross value	111	2,843	630	46	267	3,897
Accumulated amortization and impairment	(95)		(446)	(13)	(141)	(695)
Net	**16**	**2,843**	**184**	**33**	**126**	**3,202**
Movements during the year						
Changes in Group structure	3	18	36	1	(15)	43
Acquisitions			57	6	45	108
Disposals			(1)		(2)	(3)
Translation adjustments	(1)	(98)	(6)		(7)	(112)
Amortization and impairment	(2)		(77)	(13)	(15)	(107)
Reclassification to assets held for sale			(3)	(2)	(1)	(6)
Total	**–**	**(80)**	**6**	**(8)**	**5**	**(77)**
At December 31, 2007						
Gross value	106	2,763	631	47	279	3,826
Accumulated amortization and impairment	(90)		(441)	(22)	(148)	(701)
Net	**16**	**2,763**	**190**	**25**	**131**	**3,125**

In 2005, "Changes in Group structure" concerning non-amortizable brands corresponded to the allocation of the main brands of BPB (€846 million), Dahl (€352 million) and Sanitas Troesch (€104 million).
The "Other" column includes amortizable manufacturing brands totaling €48 million at end-2007 (end-2006: €52 million; end-2005: €66 million).
Greenhouse gas emissions allowances allocated to the Group's European operations together represent around 6.5 million metric tonnes of CO_2 for the period 2005 to 2007. The initial unit value of these allowances was €8 per metric tonne of CO_2, the date the allowances were allocated). As the allocation program is now complete, the unit value now stands at zero.
The aggregate allowances granted to Saint-Gobain companies under the 2005-2007 program exceed the amount of the Group's greenhouse gas emissions. The Group sold 360,000 excess CO_2 allowances at the start of 2007 at an average unit price of €1.81.

NOTE 5

Property, plant and equipment

(in € millions)	Land and quarries	Buildings	Machinery and equipment	Assets under construction	Total
At January 1, 2005					
Gross value	1,218	5,415	14,610	944	22,187
Accumulated depreciation and impairment	(107)	(2,663)	(10,043)	(7)	(12,820)
Net	**1,111**	**2,752**	**4,567**	**937**	**9,367**
Movements during the year					
Changes in Group structure and reclassifications	613	506	1,039	328	2,486
Acquisitions	50	121	582	1,024	1,777
Disposals	(36)	(29)	(59)	(16)	(140)
Translation adjustments	53	164	346	71	634
Depreciation and impairment	(22)	(230)	(1,046)	(6)	(1,304)
Transfers		203	763	(966)	–
Total	**658**	**735**	**1,625**	**435**	**3,453**
At December 31, 2005					
Gross value	2,026	6,739	18,603	1,389	28,757
Accumulated depreciation and impairment	(257)	(3,252)	(12,411)	(17)	(15,937)
Net	**1,769**	**3,487**	**6,192**	**1,372**	**12,820**
Movements during the year					
Changes in Group structure and reclassifications	12	42	(98)	12	(32)
Acquisitions	57	94	501	1,556	2,208
Disposals	(62)	(42)	(50)	(22)	(176)
Translation adjustments	(27)	(64)	(193)	(42)	(326)
Depreciation and impairment	(32)	(288)	(1,180)	(5)	(1,505)
Reclassification to assets held for sale	(4)	(45)	(135)	(36)	(220)
Transfers		310	968	(1,278)	–
Total	**(56)**	**7**	**(187)**	**185**	**(51)**
At December 31, 2006					
Gross value	1,961	6,859	18,040	1,579	28,439
Accumulated depreciation and impairment	(248)	(3,365)	(12,035)	(22)	(15,670)
Net	**1,713**	**3,494**	**6,005**	**1,557**	**12,769**
Movements during the year					
Changes in Group structure and reclassifications	(2)	39	30	7	74
Acquisitions	86	149	528	1,529	2,292
Disposals	(24)	(37)	(42)	(17)	(120)
Translation adjustments	(38)	(83)	(153)	(49)	(323)
Depreciation and impairment	(33)	(274)	(1,223)	(6)	(1,536)
Reclassification to assets held for sale	(9)	(77)	(225)	(92)	(403)
Transfers		299	944	(1,243)	–
Total	**(20)**	**16**	**(141)**	**129**	**(16)**
At December 31, 2007					
Gross value	1,971	6,944	17,643	1,704	28,262
Accumulated depreciation and impairment	(278)	(3,434)	(11,779)	(18)	(15,509)
Net	**1,693**	**3,510**	**5,864**	**1,686**	**12,753**

Acquisitions of property, plant and equipment during 2007 included assets acquired under finance leases for an amount of €19 million (2006: €17 million; 2005: €21 million). These finance leases are not included in the cash flow statement in accordance with IAS 7. At December 31, 2007, total property, plant and equipment acquired under finance leases amounted to €190 million, compared to €210 million at end-2006 and €213 million at end-2005 (see Note 24).
In 2005, "Changes in Group structure" primarily corresponded to the €2,181 million impact of the BPB acquisition, including €371 million relating to gypsum quarries.

NOTE 6

Investments in associates

(in € millions)	2007	2006	2005
At January 1			
Equity in associates	224	131	61
Goodwill	14	8	3
Investments in associates	**238**	**139**	**64**
Movements during the year			
Changes in Group structure	(114)	107	65
Translation adjustments	(4)	(11)	3
Transfers, share issues and other movements	(3)	1	2
Dividends paid	(8)	(5)	(5)
Share in net income of associates	14	7	10
Total	**(115)**	**99**	**75**
At December 31			
Equity in associates	106	224	131
Goodwill	17	14	8
Investments in associates	**123**	**238**	**139**

At December 31, 2007, investments in associates amounted to €123 million, compared with €238 million at December 31, 2006. The decrease in this item relates essentially to the change in consolidation method for Izocam and Saint-Gobain Envases SA, which had a negative impact of €113 million.

Investments in associates include investments in Compania Industrial El Volcan. At December 31, 2007, the value of the company's shares on the Santiago de Chile stock exchange was higher than the carrying amount of the Group's equity in its net assets.

Changes in Group structure in 2006 chiefly reflect the first-time consolidation by the equity method of Izocam (Turkey) and Saint-Gobain Envases SA (Chile) for a total amount of €116 million. At December 31, 2006, the value on the Istanbul stock market of the Izocam shares owned by Saint-Gobain approximates the carrying amount of the Group's equity in its net assets.

The increase in investments in associates at December 31, 2005 primarily reflects the first-time consolidation by the equity method of BPB group companies for €47 million and other companies acquired in 2005 for €30 million.

Net sales recorded in the individual financial statements of all of the Group's associates totaled €939 million in 2007 (2006: €1,004 million; 2005: €731 million) and aggregate net income totaled €42 million (2006: €54 million; 2005: €26 million). At December 31, 2007, total assets and liabilities of these companies amounted to €849 million and €493 million, respectively (December 31, 2006: €917 million and 524 million; December 31, 2005: €539 million and €341 million).

NOTE 7

Other non-current assets

(in € millions)	Available-for-sale and other securities	Capitalized loans and deposits	Prepaid pension costs	Total
At January 1, 2005				
Gross value	123	312	15	450
Provisions for impairment in value	(31)	(6)	–	(37)
Net	**92**	**306**	**15**	**413**
Movements during the year				
Changes in Group structure	(44)	31	4	(9)
Increases/(decreases)	110	(96)	10	24
Movements in provisions for impairment in value	(1)	(2)		(3)
Translation adjustments	3	22	2	27
Transfers and other movements	1	(10)		(9)
Total	**69**	**(55)**	**16**	**30**
At December 31, 2005				
Gross value	193	262	31	486
Provisions for impairment in value	(32)	(11)	–	(43)
Net	**161**	**251**	**31**	**443**
Movements during the year				
Changes in Group structure	(119)	–	–	(119)
Increases/(decreases)	9	(37)	90	62
Movements in provisions for impairment in value		4		4
Translation adjustments		(9)	(1)	(10)
Transfers and other movements		10		10
Total	**(110)**	**(32)**	**89**	**(53)**
At December 31, 2006				
Gross value	75	225	120	420
Provisions for impairment in value	(24)	(6)		(30)
Net	**51**	**219**	**120**	**390**
Movements during the year				
Changes in Group structure	(1)	(4)		(5)
Increases/(decreases)	78	(11)	31	98
Movements in provisions for impairment in value	(2)	1		(1)
Translation adjustments	–	(5)	(4)	(9)
Transfers and other movements	–	(1)		(1)
Total	**75**	**(20)**	**27**	**82**
At December 31, 2007				
Gross value	145	205	147	497
Provisions for impairment in value	(19)	(6)		(25)
Net	**126**	**199**	**147**	**472**

Changes in available-for-sale and other securities result from the acquisitions of several companies in December 2007 that could not be consolidated at the 2007 year-end. As discussed in Note 1, available-for-sale and other securities are measured at fair value.
Changes in available-for-sale and other securities in 2006 mainly reflect the consolidation of Xugang, which was acquired by the Group at the end of 2005 (see Note 2).
Changes in capitalized loans and deposits reflect changes in advances paid in connection with the claims and litigation explained in Note 25, as well as collections of receivables on asset disposals.
Changes in impairment provisions for other non-current assets in 2007 reflect €3 million in additions (2006: €3 million) and €2 million in reversals (2006: €7 million).

NOTE 8

Inventories

(in € millions)	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Gross value			
Raw materials	1,335	1,312	1,335
Work in progress	283	291	329
Finished goods	4,639	4,426	4,269
Gross inventories	**6,257**	**6,029**	**5,933**
Provisions for impairment in value			
Raw materials	(95)	(98)	(92)
Work in progress	(9)	(10)	(15)
Finished goods	(320)	(292)	(291)
Provisions for impairment in value	**(424)**	**(400)**	**(398)**
Net	**5,833**	**5,629**	**5,535**

In 2007, cost of sales came to €32,235 million, compared with €31,180 million in 2006 and €26,449 million in 2005. Impairment losses on inventories recorded in the 2007 income statement amounted to €159 million. Impairment reversals recorded due to increases in the net realizable value of inventories were deducted from expenses for the year in an amount of €94 million.

NOTE 9

Trade and other accounts receivable

(in € millions)	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Gross value	6,595	6,687	6,213
Provisions for impairment in value	(384)	(386)	(400)
Trade accounts receivable	**6,211**	**6,301**	**5,813**
Advances to suppliers	635	582	105
Prepaid payroll taxes	23	22	34
Other prepaid and recoverable taxes (other than income tax)	327	293	256
Accrued income	12	14	96
Other	489	485	454
- France	122	116	114
- Other western European countries	156	168	165
- North America	16	–	34
- Emerging countries and Asia	195	201	141
Provisions for impairment in value	(5)	(6)	(6)
Other receivables	**1,481**	**1,390**	**939**

Changes in impairment provisions for trade and other accounts receivable reflect €76 million in additions (2006: €56 million) and €74 million in reversals (2006: €75 million) – resulting from recoveries as well as write-offs. Changes in this item also include €44 million (2006: €48 million) in losses taken on irrecoverable receivables.

The Group monitors and analyzes any past-due trade receivables on a regular basis, and sets aside a provision where appropriate. Provisions for past-due receivables amounted to €247 million at end-2007 (end-2006: €228 million).

Trade and other accounts receivable mainly have short-term maturities and are valued at their carrying amount, which approximates fair value.

NOTE 10

Equity

Number of shares making up the capital stock

At December 31, 2007, Compagnie de Saint-Gobain's capital stock comprised 374,216,152 shares with a par value of €4 each (December 31, 2006: 368,419,723 shares; December 31, 2005: 345,256,270 shares).
During the year, 4,981,609 shares were issued in respect of the Group Savings Plan and 730,420 shares were awarded further to the exercise of 593,270 stock options granted on November 20, 2003; 132,950 options granted on November 18, 2004; 3,000 options granted on November 17, 2005; and 1,200 options granted on November 16, 2006. In addition, 84,400 shares were issued on the conversion of Océane bonds.
At the Ordinary and Extraordinary Shareholders' Meeting of June 7, 2007, shareholders authorized the Board of Directors of Compagnie de Saint-Gobain to:
- issue, on one or several occasions, up to 147.5 million new shares with or without pre-emptive or priority subscription rights for existing shareholders (twelfth, thirteenth, fourteenth and fifteenth resolutions);
- issue, on one or several occasions, 18.5 million new shares to members of the Group Savings Plan (sixteenth resolution);
- grant stock purchase or subscription options for up to 3% of the share capital at the date of the Shareholders' Meeting (representing 11,214,726 options), exercisable for the same number of shares (seventeenth resolution). This figure includes the free shares that may be granted under the eighteenth resolution, representing 1% of the share capital at the date of the Shareholders' Meeting (3,738,242 free shares).

If the Board of Directors issued all of the shares and stock options authorized under the above-mentioned resolutions, as well as the stock options available under previous plans (see Note 11), the number of shares making up the Company's capital stock would rise to 565,551,958.
The Board of Directors used these authorizations in part to grant 3,673,000 stock options on November 22, 2007.
Pursuant to the authorization granted by the Ordinary and Extraordinary Shareholders' Meeting of June 7, 2007, Compagnie de Saint-Gobain's Board of Directors may issue equity warrants in the event of a public offer for the Company's shares, in accordance with the French law of March 31, 2006 on public share offers (twentieth resolution). Under these authorizations, the Group may issue shares up to a total nominal amount of €368 million, representing 92 million shares.

Treasury stock

Saint-Gobain shares held by Compagnie de Saint-Gobain are shown as a separate deduction from shareholders' equity under "Treasury stock" at historical cost. Shares held in treasury stock totaled 4,375,969 at December 31, 2007 (December 31, 2006: 6,739,668; December 31, 2005: 8,383,161).
In 2007, the Group did not directly purchase any of its own shares on the market (2006: 1,976,708; 2005: 4,423,117). It sold 2,460,265 shares in 2007 in connection with stock options plans (2006: 3,620,201; 2005: 1,900,366). No shares were cancelled in either 2007, 2006 or 2005.
On November 16, 2007, the Group entered into a liquidity agreement with Exane BNP Paribas. This agreement is valid from December 3, 2007 through December 31, 2007, and may be automatically renewed.
In view of their highly liquid nature, funds allocated under the agreement and not invested in Saint-Gobain shares are classified as cash and cash equivalents.
This agreement complies with the Code of Ethics adopted by the French Association of Investment Firms (AFEI) recognized by the *Autorité des Marchés Financiers* (AMF). In 2007, 243,277 shares were purchased and 146,711 shares sold under the liquidity agreement.

NOTE 11

Share-based payments

Compagnie de Saint-Gobain stock option plans

Compagnie de Saint-Gobain has stock option plans available to certain employees, and a Group Savings Plan ("PEG"), or employee stock purchase plan.
Under the stock option plans, the Board of Directors may grant options which entitle the holder to purchase Saint-Gobain shares at a price based on the average share price for the 20 trading days preceding the grant date. Since 1999, no discounts on the average price have been granted under these plans. In certain cases, stock options are awarded based on a series of performance conditions.
Options vest over a period of three or four years, with full vesting occurring at the end of the vesting period. Options must be exercised within eight or ten years from the date of grant. All rights to options are forfeited if the employee terminates employment with the Group, unless expressly agreed otherwise by the Chairman of Compagnie de Saint-Gobain together with the Appointments Committee of the Board of Directors.
From 1999 to 2002, these plans involved purchase options on existing shares. Since 2003, the plans have involved subscription options for new shares.
Movements relating to stock options outstanding in 2005, 2006 and 2007 are summarized below:

	€4 par value shares	Average exercise price (in €)
Options outstanding at December 31, 2004	**19,829,035**	**36.12**
Options granted	3,922,250	45.71
Options exercised	(1,901,166)	33.54
Options forfeited	(112,000)	39.25
Options outstanding at December 31, 2005	**21,738,119**	**38.06**
Options granted	4,025,800	58.08
Options exercised	(3,974,551)	34.79
Options forfeited	(241,400)	40.26
Options outstanding at December 31, 2006	**21,547,968**	**42.38**
Options granted	3,673,000	71.56
Options exercised	(3,178,885)	33.04
Options forfeited	(50,000)	58.10
Options outstanding at December 31, 2007	**21,992,083**	**48.56**

At December 31, 2007, 8,513,233 options were exercisable at an average exercise price of €36.68.

At December 31, 2007, 7,541,726 options were available for grant under the authorization given by the Shareholders' Meeting of June 7, 2007. This figure represents an overall ceiling for options and free shares.

The expense relating to this plan recorded in the income statement amounted to €43 million in 2007 (2006: €39 million; 2005: €32 million).

The fair value of the options granted in 2007 amounted to €44 million. Fair value was calculated using a Black & Scholes-type option pricing model and applying the same assumptions as those used to measure the expense in accordance with IFRS 2.

The following table summarizes information about stock options outstanding at December 31, 2007:

Grant date	Options exercisable			Options not exercisable		Total options outstanding	Type of options
	Exercise price (in €)	Number of options	Weighted average contractual life (in months)	Exercise price (in €)	Number of options	Number of options	
1999	40.63	329,924	23			329,924	Purchase
2000	37.72	885,560	35			885,560	Purchase
2001	40.22	1,726,804	47			1,726,804	Purchase
2002	23.53	1,255,715	59			1,255,715	Purchase
2003	35.67	2,725,980	71			2,725,980	Subscription
2004	43.56	1,589,250	83	43.56	2,073,200	3,662,450	Subscription
2005	45.71		95	45.71	3,758,050	3,758,050	Subscription
2006	58.08		107	58.08	3,974,600	3,974,600	Subscription
2007	71.56		119	71.56	3,673,000	3,673,000	Subscription
Total		**8,513,233**			**13,478,850**	**21,992,083**	

Further to the four-for-one stock split of June 27, 2002, the number of options for 1999 to 2001 has been multiplied by four in order to permit meaningful year-on-year comparisons.

Compagnie de Saint-Gobain Group Savings Plan (PEG)

The PEG employee stock purchase plan is open to all Group employees in France and in most other countries where the Group does business. Eligible employees must have completed a minimum of three months' service with the Group. The Board of Directors delegates authorization for setting the exercise price to the Chief Executive Officer of Compagnie de Saint-Gobain. The exercise price corresponds to the average opening share price over the 20 trading days preceding the date on which the price is set. The standard formula offers employees a 20% discount on the average share price. The leveraged formula launched in 2007 offers a 15% discount.

Participating employees may subscribe for a term of five or ten years under the standard formula and for five years under the leveraged formula. Over this period, employees may not sell their shares, barring exceptional circumstances.

Under the Group Savings Plan, 4,981,609 shares with a par value of €4 were issued to employees in 2007 (2006: 5,399,291; 2005: 4,267,470), at an average price per share of €59.10 (2006: €40.84; 2005: €36.48).

The expense relating to this plan recorded in the income statement amounted to €16 million in 2007 (2006: €19 million; 2005: €11 million).

The interest rate applicable to employee share awards and used to determine the borrowing cost relating to the shares during the holding period is explained in Note 1. For the standard Group Savings Plan, this is the rate that would be applied by a bank to an individual with an average risk profile for a general purpose five- or ten-year consumer loan repayable at maturity.

For the leveraged plan proposed in 2007, the rate is calculated in the same way as for the standard plan, but takes into account the advantage accruing to employees who benefit from the same market conditions as the Group.

The forward sale price for the shares was determined using a valuation model based on market inputs.

The main assumptions used in the calculation are as follows:

	2007	2006	2005
Grant date	February 23	January 27	January 28
Number of shares	4,981,609	5,399,291	4,267,470
Exercise price (in euros) under the standard plan	58.05	40.84	36.48
Exercise price (in euros) under the leveraged plan	61.68	–	–
Share price at the grant date (in euros)	73.59	53.90	46.77
Total discount in respect of the price at the grant date (in euros) under the standard plan	15.54	13.06	10.29
Total discount in respect of the price at the grant date (in euros) under the leveraged plan	11.91	–	–
Risk-free interest rate	4.02 %	2.93 %	2.88 %
Employee financing rate	7.36 %	6.88 %	6.30 %
Borrowing cost of the shares during the holding period (in %) under the standard plan	15.24 %	17.62 %	16.29 %
Borrowing cost of the shares during the holding period (in %) under the leveraged plan	13.35 %	–	–

NOTE 12

Provisions for pensions and other employee benefits

(in € millions)	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Pension obligations	1,058	1,415	2,573
Retirement bonus obligations	233	236	255
Post-employment healthcare benefit obligations	341	363	406
Total provisions for pensions and other post-employment benefit obligations	**1,632**	**2,014**	**3,234**
Healthcare benefits	44	51	61
Long-term incapacity benefits	38	45	38
Other long-term benefits	93	93	97
Provisions for pensions and other employee benefits	**1,807**	**2,203**	**3,430**

Changes in obligations relating to pensions and other post-employment benefits are as follows:

(in € millions)	Pension obligations	Fair value of plan assets	Other	Provisions for pensions and other post-employment benefits
At January 1, 2005	**5,880**	**(3,502)**	**228**	**2,606**
Movements during the year				
Service cost	166			166
Interest cost/return on plan assets	356	(277)		79
Employer contributions		(331)		(331)
Employee contributions		(24)		(24)
Actuarial gains and losses	762	(387)		375
Exchange differences	394	(307)		87
Services provided	(333)	209		(124)
Past service cost				–
Changes in Group structure	1,528	(1,154)		374
Curtailments/settlements	(4)			(4)
Other	16		14	30
Total	**2,885**	**(2,271)**	**14**	**628**
At December 31, 2005	**8,765**	**(5,773)**	**242**	**3,234**

(in € millions)	Pension obligations	Fair value of plan assets	Other	Provisions for pensions and other post-employment benefits
At December 31, 2005	**8,765**	**(5,773)**	**242**	**3,234**
Movements during the year				
Service cost	217			217
Interest cost/return on plan assets	417	(387)		30
Employer contributions		(855)		(855)
Employee contributions		(26)		(26)
Actuarial gains and losses	(225)	(182)	42	(365)
Exchange differences	(212)	132		(80)
Services provided	(446)	307		(139)
Past service cost				–
Changes in Group structure	36	(15)		21
Curtailments/settlements	(3)			(3)
Other	(5)		(15)	(20)
Total	**(221)**	**(1,026)**	**27**	**(1,220)**
At December 31, 2006	**8,544**	**(6,799)**	**269**	**2,014**
Movements during the year				
Service cost	200			200
Interest cost/return on plan assets	430	(451)		(21)
Employer contributions		(157)		(157)
Employee contributions		(25)		(25)
Actuarial gains and losses	(463)	195	21	(247)
Exchange differences	(525)	468	(9)	(66)
Services provided	(439)	350		(89)
Past service cost				–
Changes in Group structure	(35)	14	(8)	(29)
Curtailments/settlements	(13)			(13)
Other			65	65
Total	**(845)**	**394**	**69**	**(382)**
At December 31, 2007	**7,699**	**(6,405)**	**338**	**1,632**

The following tables set out the obligations and provisions for pensions and other post-employment benefits by geographic area:

December 31, 2007

(in € millions)	France	Other western European countries	North America	Rest of the world	Net total
Projected benefit obligation - funded plans	326	4,648	1,818	114	6,906
Projected benefit obligation - unfunded plans	192	242	336	23	793
Fair value of plan assets	171	4,496	1,632	106	6,405
Deficit	347	394	522	31	1,294
Past service cost					
Asset ceiling					81
Insured plans					110
Pensions and other post-employment benefit obligations					**1,485**
Prepaid pension costs classified as assets held for sale					
Provisions for pensions and other post-employment benefit obligations classified as liabilities held for sale					
Prepaid pension costs (see Note 7)					**147**
Provisions for pensions and other post-employment benefit obligations					**1,632**

December 31, 2006

(in € millions)	France	Other western European countries	North America	Rest of the world	Net total
Projected benefit obligation - funded plans	328	5,366	1,958	123	7,775
Projected benefit obligation - unfunded plans	190	150	411	18	769
Fair value of plan assets	166	4,784	1,742	107	6,799
Deficit	352	732	627	34	1,745
Past service cost					
Asset ceiling					21
Insured plans					142
Pensions and other post-employment benefit obligations					**1,908**
Prepaid pension costs classified as assets held for sale					2
Provisions for pensions and other post-employment benefit obligations classified as liabilities held for sale					16
Prepaid pension costs (see Note 7)					**120**
Provisions for pensions and other post-employment benefit obligations					**2,014**

December 31, 2005

(in € millions)	France	Other western European countries	North America	Rest of the world	Net total
Projected benefit obligation - funded plans	349	5,020	1,985	122	7,476
Projected benefit obligation - unfunded plans	180	642	462	5	1,289
Fair value of plan assets	139	3,896	1,636	102	5,773
Deficit	390	1,766	811	25	2,992
Deferred actuarial gains and losses	(64)	(146)	(140)	5	(345)
Asset ceiling					38
Insured plans					166
Restatement of prior year presentation					352
Pensions and other post-employment benefit obligations					**3,203**
Prepaid pension costs (see Note 7)					**31**
Provisions for pensions and other post-employment benefit obligations					**3,234**

Description of defined benefit plans

The Group's main defined benefit plans are as follows:
In France, in addition to retirement bonuses, there are three defined benefit schemes based on projected end-of-career salaries. These plans were closed to new employees by the companies concerned between 1969 and 1997.
In Germany, retirement plans provide pensions and death and disability benefits for employees. These plans have been closed to new employees since 1996.
In the Netherlands, ceilings have been introduced for supplementary pension plans, in excess of which they are converted into defined contribution plans.
In the United Kingdom, employee 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 employees since 2001.
In the United States and Canada, the Group's defined benefit schemes are based on projected end-of-career salaries. Since January 1, 2001, new employees have been offered a defined contribution scheme.
Provisions for other long-term employee benefits amounted to €175 million at December 31, 2007 (December 31, 2006: €189 million; December 31, 2005: €196 million), and cover all other benefits granted to employees, notably long-service awards in France, jubilee benefits in Germany and employee benefits in the United States. The amounts recorded are generally calculated on an actuarial basis.

Measurement of pension and other post-employment benefits

Pensions and other post-employment benefits are determined by actuarial valuations using a method based on projected end-of-career salaries (the projected unit credit method).
The Group's obligations for other employee benefits including long-term incapacity benefits and other long-term benefits are also calculated on an actuarial basis and recognized in the same way as pension obligations.
The Group's total pension and other post-employment benefit obligations amounted to €7,699 million at December 31, 2007 (December 31, 2006: €8,544 million; December 31, 2005: €8,765 million).
The consolidation of the BPB group in 2005 led to a €1,460 million increase in these obligations.
In 2007, the impact of the French Social Security Financing Act *(loi de financement de la Sécurité Sociale)* introduced in December of that year was reported under obligations for pensions and other post-retirement benefits in France.

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 €157 million in 2007 (2006: €855 million; 2005: €331 million). The return on plan assets came out at €256 million for the year (2006: €569 million; 2005: €664 million). Contributions for 2006 comprised an exceptional payment of €672 million, including €516 million in connection with the transfer to an external fund of a substantial portion of pension obligations relating to German companies. The fair value of plan assets – which came to €6,405 million at end-2007 (end-2006: €6,799 million; end-2005: €5,773 million) – is deducted from the amount of the Group's obligation estimated using the projected unit credit method in order to calculate the related provision.
The consolidation of the BPB group in 2005 increased the value of plan assets by €1,141 million.
Plan assets are mainly composed of shares (59%) and bonds (35%), with the remaining 6% invested in other asset categories.
Expected contributions to plan assets in 2008 amount to €146 million.

Actuarial assumptions used for valuing pension obligations and plan assets

Assumptions related to mortality, employee turnover and future salary increases take into account the economic conditions specific to each country and company. Interest rates used in 2007 to determine the present value of future obligations were generally between 4.75% and 6%, depending on the country concerned.

The rates used in 2007 for the countries in which the Group's obligations are the most significant are as follows:

(in %)	France	Other European countries		United States
		Euro zone	United Kingdom	
Discount rate	5.50%	5.50%	5.75%	6.25%
Salary increases	2.40%	2.50% to 3.60%	3.65% to 4.25%	3.00%
Expected return on plan assets	5.00%	3.50% to 6.50%	6.50% to 6.90%	8.75%
Inflation rate	1.70%	1.80% to 3.50%	3.15%	2.00%

The rates used in 2006 for the countries in which the Group's obligations were the most significant were as follows:

(in %)	France	Other European countries		United States
		Euro zone	United Kingdom	
Discount rate	4.75%	4.75%	5.10%	6.00%
Salary increases	2.40%	2.25% to 3.50%	3.35% to 3.60%	3.00%
Expected return on plan assets	5.00%	3.50% to 6.50%	6.50% to 6.90%	8.75%
Inflation rate	1.70%	1.40% to 3.20%	2.85%	2.50%

The same assumptions concerning mortality, employee turnover and interest rates are used to determine the Group's projected benefit obligation for other long-term employee benefits. In the United States, the annual growth rate for medical treatment received by retirees has been set at 8%. A rise of 1% in this rate would increase the obligation by €18 million. Expected rates of return are estimated by country and pension plan, taking into account the different asset categories making up the plan assets and the outlook for the various markets.

Actuarial gains and losses and past service cost

In 2006 the Group elected to apply the option available under IAS 19 and record actuarial gains and losses in equity (see Note 1). Outstanding deferred actuarial gains and losses now relate only to the effects of plan adjustments (past service cost). The impact recognized at December 31, 2007 amounts to €207 million, resulting in a decrease in provisions. This amount includes €267 million in actuarial differences less €60 million corresponding to an increase in the asset ceiling. At end-2006, cumulative actuarial differences totaled €424 million, resulting in a decrease in provisions. Experience adjustments on pension obligations account for a positive impact of €56 million, while experience adjustments on plan assets represent a negative impact of €195 million.

Prepaid pension costs

A prepaid pension cost is recorded under "Other non-current assets" whenever the assets of a pension plan exceed the related projected benefit obligation (see Note 7), provided the asset represents future economic benefits for the Group. When the value of plan assets is less than the projected obligation, the asset recognized is reduced by the amount of the asset ceiling.

Insured plans

This item corresponds to amounts payable in the future to insurance companies under the funded retirement schemes for Group employees in Spain and totaled €110 million at December 31, 2007 (December 31, 2006: €142 million; December 31, 2005: €166 million).

Prepaid pension costs and provisions for pensions and other post-employment benefits classified as assets and liabilities held for sale

In accordance with IFRS 5, certain prepaid pension costs and provisions for pensions and other post-employment benefits were classified as assets and liabilities held for sale at December 31, 2006, for an amount of €2 million and €18 million, respectively (see Note 2).

Charge for pensions and other post-employment benefits

The Group's charge for pensions and other post-employment benefits (excluding other employee benefits) is as follows:

(in € millions)	2007	2006	2005
Vested rights	200	217	166
Interest cost	430	417	356
Return on plan assets	(451)	(387)	(277)
Amortization of actuarial gains and losses	–	–	1
Curtailments and settlements	(13)	(3)	(4)
Pensions, retirement bonuses and post-employment benefits	**166**	**244**	**242**
Employee contributions	(25)	(26)	(24)
Total	**141**	**218**	**218**

Additional information regarding pension costs

Pension contributions for 2007 are estimated at €772 million, including €388 million for statutory schemes, €123 million for statutory complementary schemes (mainly in France), and €261 million for top-up schemes (€205 million for defined benefit plans and €56 million for defined contribution plans).

NOTE 13

Current and deferred taxes

Until December 31, 2006, Compagnie de Saint-Gobain was assessed for income tax purposes on its consolidated taxable income. As a result of this agreement the Group's share of the aggregate amount of income taxes paid by Group companies included in the worldwide tax group was taken into account when determining consolidated taxable income.

As from January 1, 2007, tax consolidation only applies at a local level. The impact of the exit from the consolidated tax agreement was taken into account in computing deferred taxes at December 31, 2006.

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

(in € millions)	2007	2006	2005
Net income	1,543	1,682	1,294
Less:			
Share in net income of associates	14	7	10
Income taxes	(926)	(899)	(701)
Net pre-tax income of consolidated companies	**2,455**	**2,574**	**1,985**

Income tax expense breaks down as follows:

(in € millions)	2007	2006	2005
Current taxes	**(821)**	**(802)**	**(686)**
France	(144)	(184)	(233)
Outside France	(677)	(618)	(453)
Deferred taxes	**(105)**	**(97)**	**(15)**
France	(13)	(63)	44
Outside France	(92)	(34)	(59)
Total income tax expense	**(926)**	**(899)**	**(701)**

Taxes paid in 2007 amounted to €809 million (2006: €821 million; 2005: €716 million).

In light of the non-deductible nature of certain expenses incurred during the period, including the provision set aside for the non-competition claim (see Note 25), income tax expense for 2007 represented 37.5% of the net pre-tax income of consolidated companies (2006: 35%; 2005: 35%).

Prior to the exit from the consolidated tax agreement, the effective tax rates can be analyzed as follows:

(in %)	2006	2005
Current income tax rate	33	33
Surcharge on French income tax	–	1
Royalties and net capital gains taxed at lower rates	–1	–1
Other deferred and miscellaneous taxes	3	2
Effective tax rate	**35**	**35**

Following the exit from the consolidated tax agreement, the effective tax rate can be analyzed as follows:

(in %)	2007
Tax rate in France	34.4
Impact of tax rates outside France	–5.7
Provision for non-competition claim not deductible for tax purposes	8.2
Taxable capital gains	–2.9
Provision for deferred tax assets	2.1
Tax loss carryforwards	–1.2
Other deferred and miscellaneous taxes	2.5
Effective tax rate	**37.5**

As a proportion of recurring net income (see Note 22) the effective tax rate for 2007 comes out at 31% (2006: 33%; 2005: 35%).

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

(in € millions)	Net deferred tax liabilities
At January 1, 2005	**249**
Deferred tax expense/(income)	15
Changes in deferred taxes relating to actuarial gains and losses recognized in accordance with IAS 19 (Note 12)	(148)
Translation adjustments	(28)
Impact on equity	28
Impact of changes in Group structure and other	586
At December 31, 2005	**702**
Deferred tax expense/(income)	97
Changes in deferred taxes relating to actuarial gains and losses recognized in accordance with IAS 19 (Note 12)	131
Translation adjustments	31
Impact of changes in Group structure and other	(87)
At December 31, 2006	**874**
Deferred tax expense/(income)	105
Changes in deferred taxes relating to actuarial gains and losses recognized in accordance with IAS 19 (Note 12)	67
Translation adjustments	(12)
Impact of changes in Group structure and other	(85)
At December 31, 2007	**949**

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

(in € millions)	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Deferred tax assets	328	348	447
Deferred tax liabilities	(1,277)	(1,222)	(1,149)
Net deferred tax liabilities	**(949)**	**(874)**	**(702)**
Pensions	465	641	822
Brands	(844)	(889)	(929)
Depreciation & amortization, excess tax depreciation and provisions recorded for tax purposes	(1,029)	(1,127)	(1,040)
Tax loss carryforwards	97	181	233
Other	362	320	212
Total	**(949)**	**(874)**	**(702)**

From January 1, 2007, deferred taxes are offset at the level of each tax entity, i.e., by tax consolidation group where applicable (France, the United Kingdom, Spain, Germany and the United States).

The Group recognized deferred tax assets of €328 million at end-2007 (end-2006: €348 million) arising mainly in the United States for an amount of €214 million (2006: €242 million). Deferred tax liabilities recognized at end-2007 amounted to €1,277 million (end-2006: €1,222 million) and related to France in an amount of €460 million (end-2006: €516 million) and the United Kingdom for €392 million (end-2006: €372 million). Other countries accounted for significantly lower amounts.

Deferred tax assets whose recovery the Group does not deem probable totaled €198 million at December 31, 2007 and €173 million at December 31, 2006.

NOTE 14

Other current and non-current liabilities and provisions

(in € millions)	Provision for claims and litigation	Provision for environ-mental risks	Provision for restruc-turing costs	Provision for person-nel costs	Provision for customer warranties	Provision for other contin-gencies	Investment related liabilities	Total
At January 1, 2005								
Current portion	137	10	59	17	69	57		349
Non-current portion	189	64	82	29	72	97		533
Total	**326**	**74**	**141**	**46**	**141**	**154**	**–**	**882**
Movements during the year								
Additions	104	5	117	19	58	32		335
Reversals	(1)	(11)	(11)	(5)	(19)	(19)		(66)
Utilizations	(88)	(8)	(77)	(10)	(41)	(22)		(246)
Changes in Group structure		83	22	2	9	71	(3)	184
Other (reclassifications and translation adjustments)	35	2	5	1	9	21	393	466
Total	**50**	**71**	**56**	**7**	**16**	**83**	**390**	**673**
At December 31, 2005								
Current portion	131	23	98	21	74	73	260	680
Non-current portion	245	122	99	32	83	164	130	875
Total	**376**	**145**	**197**	**53**	**157**	**237**	**390**	**1,555**
Movements during the year								
Additions	98	14	142	20	82	87		443
Reversals	(1)	(2)	(16)	(6)	(21)	(17)		(63)
Utilizations	(78)	(12)	(124)	(12)	(43)	(30)		(299)
Changes in Group structure			(2)			4	(7)	(5)
Other (reclassifications and translation adjustments)	(34)	(14)	4	1	(11)	15	(189)	(228)
Total	**(15)**	**(14)**	**4**	**3**	**7**	**59**	**(196)**	**(152)**
At December 31, 2006								
Current portion	103	25	110	25	72	104	28	467
Non-current portion	258	106	91	31	92	192	166	936
Total	**361**	**131**	**201**	**56**	**164**	**296**	**194**	**1,403**
Movements during the year								
Additions	786	21	117	34	81	84		1,123
Reversals	(1)	(2)	(32)	(7)	(22)	(37)		(101)
Utilizations	(79)	(10)	(119)	(13)	(48)	(34)		(303)
Changes in Group structure					7	3	(10)	–
Other (reclassifications and translation adjustments)	(39)	6	(7)	2	(10)	50	(94)	(92)
Total	**667**	**15**	**(41)**	**16**	**8**	**66**	**(104)**	**627**
At December 31, 2007								
Current portion	784	31	84	31	80	78	19	1,107
Non-current portion	244	115	76	41	92	284	71	923
Total	**1,028**	**146**	**160**	**72**	**172**	**362**	**90**	**2,030**

Provision for claims and litigation

In 2007, the provision for claims and litigation covers the cost of the non-competition claim involving the Flat Glass business and asbestos-related lawsuits filed against the Group. These provisions are described in further detail in Note 25.

Provision for environmental risks

This provision covers costs relating to environmental protection measures, as well as site rehabilitation and clean-ups (see Note 26).

Provision for restructuring costs

The provision for restructuring costs came to €160 million at December 31, 2007 (end-2006: €201 million; end-2005: €197 million), including net additions of €85 million during the year. The provision primarily concerns the United Kingdom (€39 million), Germany (€33 million), Benelux (€29 million) and the United States (€16 million).

Provision for personnel costs

This provision primarily covers indemnities due to personnel that are unrelated to the Group's reorganization operations.

Provision for customer warranties

This provision covers the Group's commitments in relation to warranties granted to customers.

Provision for other contingencies

At December 31, 2007, provisions for other contingencies amounted to €362 million and related mainly to France (€120 million), North America (€57 million), Germany (€41 million), Latin America (€36 million), Italy (€29 million) and the United Kingdom (€29 million).

Investment-related liabilities

Changes in this item over the period mainly reflect buyouts of minority interests in the Flat Glass business. Investment-related liabilities at end-2007 include additional purchase consideration and deferred payments on acquisitions in the Building Distribution, Packaging and Construction Products sectors.
At December 31, 2006, investment-related liabilities included mainly additional purchase consideration and commitments to purchase minority interests in the Flat Glass and Packaging sectors.
At December 31, 2005, this item chiefly concerned BPB (€243 million in short-term payables). These payables were settled in 2006 further to the takeover of the BPB group in 2005.

NOTE 15

Trade and other accounts payable and accrued expenses

(in € millions)	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Trade accounts payable	5,752	5,519	4,779
Customer deposits	647	591	152
Payable to suppliers of non-current assets	478	402	360
Grants received	54	53	53
Accrued personnel expenses	1,023	1,006	1,022
Accrued taxes other than on income	410	378	306
Other	813	906	942
- France	166	139	136
- Germany	76	73	95
- United Kingdom	136	153	250
- Other western European countries	167	214	202
- North America	82	109	110
- Emerging countries and Asia	186	218	149
Total trade and other payables and accrued expenses	3,425	3,336	2,835

Trade and other accounts payable mainly have short-term maturities and are valued at their carrying amount, which approximates fair value.

NOTE 16

Risk factors

Market risks (liquidity, interest rate, foreign exchange, energy and credit risks)

Liquidity risk on financing

Liquidity risk relating to the Group's total net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain. Except in special cases, the counterparty of Group companies for their long-term financing is Compagnie de Saint-Gobain or the cash pools of the national delegations. The companies' short-term financing needs are mainly met by the parent company or national cash pools.

The main objective of managing overall liquidity risk is to guarantee that the Group's financing sources will be renewed and to optimize annual borrowing costs. Long-term debt therefore systematically represents a high level of overall debt. At the same time, the maturity schedules of long-term debt are such that the financing raised through the markets when the debt is renewed is spread over several years.

Bonds make up the main source of long-term financing used by the Group. However, it also uses a Medium Term Notes program, perpetual bonds, participating securities, bank borrowings, and finance leases.

Short-term debt is composed of borrowings under French Commercial Paper *(Billets de Trésorerie)*, Euro Commercial Paper and US Commercial Paper programs, as well as securitized receivables and bank overdrafts. Short-term financial assets comprise marketable securities and cash equivalents.

Compagnie de Saint-Gobain's US Commercial Paper, Euro Commercial Paper, and French *Billets de Trésorerie* programs are backed by confirmed syndicated lines of credit and bilateral credit facilities.

A breakdown of long- and short-term debt is provided by type and maturity in Note 17. Details of amounts, currencies, and early repayment terms and conditions of the Group's financing programs and confirmed credit lines are also discussed in Note 17.

Liquidity risk on investments

To reduce liquidity or volatility risk, the Group's systematically prefers investments (in the form of short-term bank deposits, purchases of money-market or similar instruments) in money-market funds and/or bonds.

Interest rate risk

Interest rate risk relating to the Group's total net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain, under the conditions described in the first paragraph of the section dealing with liquidity risk. Where subsidiaries use derivatives to hedge risk on debt, their counterparty is Compagnie de Saint-Gobain, the Group parent company.

The main objective of managing overall interest rate risk on the Group's consolidated net debt is to fix the cost of medium-term debt and optimize annual borrowing costs. The Group's policy defines which derivative financial instruments can be used to hedge debt. Derivatives may include interest rate swaps, options (including caps, floors and swaptions) and forward rate agreements.

Based on a sensitivity analysis of the Group's total long-term debt after hedging, an increase of 50 basis points in interest rates at the balance sheet date would have increased equity by €21 million and reduced income by €6 million.

Foreign exchange risk

The Group's policy on foreign exchange risk consists of hedging commercial transactions carried out by Group entities in currencies other than their functional currencies. Compagnie de Saint-Gobain and its subsidiaries may use options and forward contracts to hedge exposure arising from commercial transactions. The subsidiaries set up option contracts exclusively through the Group parent company, Compagnie de Saint-Gobain, which then takes a reverse position on the market.

Most forward contracts are for periods of around three months. However, forward contracts taken out to hedge firm orders may have terms of up to two years. Subsidiaries are authorized to enter into forward currency contracts for periods of less than two years.

The majority of transactions are hedged, invoice by invoice or order by order, with Saint-Gobain Compensation, the entity set up to manage the Group's foreign exchange risks. Saint-Gobain Compensation hedges these risks solely by means of forward purchases and sales of foreign currencies. This enables companies using the services of Saint-Gobain Compensation to hedge exposure arising from commercial transactions as soon as the risk emerges. Saint-Gobain Compensation reverses all its positions with Compagnie de Saint-Gobain and does not therefore have any open positions.
The exposure of other Group companies to foreign exchange risks is hedged wherever possible with Compagnie de Saint-Gobain on receipt of orders sent by the subsidiaries or by cash pools of the national delegations. In other cases, hedges are contracted with subsidiaries' banks.
The Group monitors its exposure to foreign exchange risk using a monthly reporting tool which captures the foreign exchange positions taken by the Group's subsidiaries. At December 31, 2007, 90% of the Group's foreign exchange position was hedged.
At December 31, 2007, the net foreign exchange exposure of subsidiaries whose functional currency is not the euro was as follows:

(in millions of euro equivalents)	Long	Short
USD	26	20
EUR	23	27
Other currencies	5	3
Total	**54**	**50**

Based on a sensitivity analysis, an increase of 10% in the hedging currencies listed below would have had the following impact on net income:

(in € millions)	Net gains or losses
USD	(0.6)
EUR	0.4

At December 31, 2007, the impact of a 10% fall in these currencies would have had resulted in movements in the same amounts as those set out in the table above but in the opposite direction (assuming that all other variables remained unchanged).

Energy risk

To limit exposure to energy price fluctuations, the Group sets up swaps and options to hedge part of its natural gas purchases in certain European countries and the United States, and its fuel oil purchases in Europe. The swaps and options are contracted in the functional currency of the entities concerned. Hedges of gas and fuel oil purchases are managed by a steering committee comprising members of the Group Finance Department, Group Purchasing Department (Saint-Gobain Achats – SGA) and the relevant delegations.
These hedges (excluding fixed-price purchases from suppliers directly negotiated by the Purchasing Department) are arranged by the Group Treasury and Financing Department in accordance with instructions received from SGA.
The hedges are contracted for a maximum term of 18 months. The steering committee does not manage hedges for other energy sources or geographical areas not mentioned above because:

- the volumes involved are not significant; or
- there are no international price indexes used by local players in the geographical areas concerned, and transactions are therefore based on either administered prices or strictly national indexes.

In both of these cases, local purchasing units manage energy risk primarily through fixed-price purchases.
Occasionally, the Group may enter into contracts to hedge purchases of other commodities, in accordance with the principles outlined above for gas and fuel oil.

Credit risk

To limit its exposure to credit risk, the Group's Treasury and Financing Department only deals with counterparties rated A- or above by Standard & Poor's or A3 or above by Moody's over the long term, with a stable outlook in both cases.
Note 18 provides details of the Group's interest rate and energy hedges, as well as the interest rates applicable for the main items of gross debt. It also provides a breakdown of net debt by currency and interest rate (fixed or variable), as well as the interest rate repricing schedule.

NOTE 17

Net debt

Long- and short-term debt

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

(in € millions)	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Bond issues	8,010	6,187	4,993
Medium Term Notes	38	36	42
Perpetual bonds and participating securities	203	203	203
Acquisition-related bank borrowings		2,989	5,341
Other long-term debt including finance leases	358	464	802
Debt recognized at fair value under the fair value option	146		
Fair value of interest rate hedges	(8)	(2)	(66)
Total long-term debt (excluding current portion)	**8,747**	**9,877**	**11,315**
o/w long-term portion of accrued interest	2		
Current portion of long-term debt	**971**	**993**	**922**
Short-term financing programs (US CP, Euro CP and *Billets de Trésorerie*)		221	782
Bank overdrafts and other short-term bank borrowings	922	1,331	1,273
Securitization	591	652	664
Fair value of derivatives relating to borrowings not qualified as hedges	(9)	(7)	(26)
Short-term debt and bank overdrafts	**1,504**	**2,197**	**2,693**
TOTAL GROSS DEBT	11,222	13,067	14,930
Cash and cash equivalents	(1,294)	(1,468)	(2,080)
TOTAL NET DEBT INCLUDING ACCRUED INTEREST	9,928	11,599	12,850

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounted to €9.4 billion at December 31, 2007, for a carrying amount of €9 billion.

Long-term debt repayment schedule

The repayment schedule for gross long-term debt at December 31, 2007 breaks down as follows:

(in € millions)	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues	EUR	364	4,768	2,428	7,560
	GBP	204		814	1,018
	USD				0
	Other				0
Medium Term Notes	Other		38		38
Perpetual bonds and participating securities	EUR			203	203
Acquisition-related bank borrowings	EUR				0
Other long-term debt including finance leases	All currencies	169	268	88	525
Debt recognized at fair value under the fair value option	EUR			146	146
Fair value of interest rate hedges	EUR		(8)		(8)
	GBP				0
	USD				0
Total, excluding accrued interest		**737**	**5,066**	**3,679**	**9,482**

At December 31, 2007, future interest payments on gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain break down as follows:

(in € millions)	Within 1 year	1 to 5 years	Beyond 5 years	Total
Future interest payments due on gross long-term debt	436	1,171	913	2,520
Total, excluding accrued interest	**436**	**1,171**	**913**	**2,520**

Interest on perpetual bonds and participating securities is calculated through to 2024.

On January 29, 2007, Compagnie de Saint-Gobain reimbursed four bank loans that had reached maturity, for a total of €137 million. It also took out a new loan for €155 million maturing on January 29, 2013.

On April 11, 2007, Compagnie de Saint-Gobain issued €2.5 billion worth of bonds in two €1.25 billion tranches maturing on April 11, 2012, and April 11, 2017, respectively.

On June 20, 2007, Saint-Gobain Nederland redeemed a USD 500 million bond that had reached maturity.

During the year, Compagnie de Saint-Gobain reimbursed the full amount of its acquisition-related bank borrowings on the five-year tranche (€3,000 million). It also reimbursed two bank loans totaling €85.7 million and USD 50 million in Medium Term Notes which had reached maturity.

Perpetual bonds

In 1985, Compagnie de Saint-Gobain issued €125 million worth of perpetual bonds – 25,000 bonds with a face value of €5,000 – paying interest at a variable rate indexed to Libor. These securities are not redeemable and the interest paid on them is included in financial expense.

At December 31, 2007, 18,496 perpetual bonds had been bought back and canceled. At the year-end, 6,504 perpetual bonds were outstanding, representing a total face value of €33 million.

Participating securities

In the 1980s, Compagnie de Saint-Gobain issued 1,288,299 non-voting participating securities indexed to average bond rates (TMO) and 194,633 non-voting participating securities indexed to Euribor (minimum). These securities are not redeemable and the interest paid on them is included in financial expense.

Some of these securities have since been repurchased in the market. At December 31, 2007, there were 606,883 TMO-indexed securities and 77,516 Euribor-indexed securities outstanding, representing an aggregate face value of €170 million.

The interest paid on the 606,883 TMO-indexed securities consists of a fixed portion and a variable portion based on the Group's earnings, subject to a cap of 125% of average bond yields. Interest paid on the 77,516 securities indexed to a minimum of Euribor comprises (i) a fixed portion of 7.5% per year applicable to 60% of the security, and (ii) a variable portion applicable to the remaining 40% of the security, which is linked to consolidated net income of the previous year, subject to the cap specified in the issue agreement.

Net interest paid on participating securities for 2007 came to €10.5 million, compared to €9.9 million in 2006.

Financing programs

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

At December 31, 2007, these programs were as follows:

Programs (in millions of currency)	Currency	Drawdown period	Authorized ceiling at Dec. 31, 2007	Drawdown at Dec. 31, 2007	Drawdown at Dec. 31, 2006	Drawdown at Dec. 31, 2005
Medium Term Notes	EUR	1 to 30 years	10,000	3,356	968	85
US commercial paper	USD	up to 12 months	1,000 *	–	100	–
Euro commercial paper	USD	up to 12 months	1,000 *	–	–	–
Billets de trésorerie	EUR	up to 12 months	3,000	–	145	782

* equivalent to €679 million based on the exchange rate at December 31, 2007.

The authorized ceiling on the Medium Term Notes programs was raised to €10 billion on December 14, 2007.
The November 2006 and April 2007 bond issues (for GBP 600 million and €2,500 million respectively) were carried out within the scope of the MTN program.
In accordance with market practices, *Billets de Trésorerie,* Euro Commercial Paper and US Commercial Paper are generally issued for a term of one to six months. In view of their frequent renewal, the Group treats them as variable-rate debt.
Compagnie de Saint-Gobain's US Commercial Paper, Euro Commercial Paper and *Billets de Trésorerie* programs are backed by confirmed syndicated lines of credit totaling €2,000 million expiring in November 2011, as well as seven bilateral credit lines totaling €680 million at December 31, 2007.
The main covenants that would, if violated, result in these facilities becoming immediately repayable or being withdrawn, are as follows:

- Failure to comply with either of the following ratios (assessed annually):
– Ratio of net debt to operating income excluding depreciation and amortization of property, plant and equipment and intangible assets below 3.75.
This covenant concerns three bilateral lines representing €290 million.
– Interest cover ratio (pre-tax profit over net interest expense) above 3.
- Default on bank borrowings in excess of certain ceilings.

No drawdowns were made against any of these facilities in 2007.
The Saint-Gobain Group obtained a further €9 billion syndicated line of credit in 2005 to finance the acquisition of the BPB group and refinance certain debts carried by the BPB and Saint-Gobain groups. This line is composed of three tranches: a three-year loan, a five-year loan, and a five-year revolving credit. At December 31, 2007, the three- and five-year loans had been repaid in full. The portion of the revolving facility granted for general corporate purposes maturing in August 2010 has not been drawn down and an amount of €500 million therefore remains available.

The main early-repayment scenarios for this €9 billion syndicated credit facility are as follows:

- Failure to comply with either of the following ratios (assessed every six months):
– Ratio of net debt to operating income excluding depreciation and amortization of property, plant and equipment and intangible assets below 3.75.
– Interest cover ratio (operating income excluding amortization of intangible assets over net interest expense) of above 3.5.
- Default on bank borrowings in excess of €40 million.

Saint-Gobain complied with all of these covenants at December 31, 2007.
The Group also took out a €2.125 billion syndicated credit facility during the year in order to finance its acquisition of the Maxit group. The facility includes a tranche that may be renewed for a further year. No drawdowns had been made against the facility at December 31, 2007.
The aggregate commitment fees for all of these facilities totaled €2.6 million in 2007 (2006: €4.6 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.

Securitization of receivables

The Group has set up two securitization programs through its US subsidiary, Saint-Gobain Receivables Corporation, and its subsidiary in the UK, Jewson Ltd. The programs do not transfer the risk on the receivables to the financial institution.

The US program concerned an amount of €373 million at December 31, 2007 (€414 million at December 31, 2006).

The difference between the face value of the sold receivables and the proceeds received is treated as a financial expense, and amounted to €22.4 million in 2007 (2006: €24 million).

The UK program concerned €218 million at December 31, 2007 (€238 million at December 31, 2006). The total amount recorded as a financial expense in relation to this program came to €12.9 million in 2007 (2006: €10.2 million).

Collateral

At December 31, 2007, €36 million of Group debt was secured by various non-current assets (real estate and securities).

NOTE 18

Financial instruments

Derivatives

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

(in € millions)	Fair value at December 31, 2007			Fair value at Dec. 31, 2006	Nominal value broken down by maturity at December 31, 2007			
	Derivatives recorded in assets	Derivatives recorded in liabilities	Total		Within 1 year	1 to 5 years	Beyond 5 years	Total
Fair value hedges								
Interest rate swaps		(1)	(1)	1	204			204
Cash flow hedges								
Commodity swaps	15	(13)	2	(32)	166	25		191
Forward currency contracts			–		20			20
Currency options			–					–
Interest rate swaps	9		9			950		950
Derivatives not qualifying as hedges								
Interest rate swaps		(9)	(9)				155	155
Cross-currency swaps	13		13	10		48		48
Currency swaps	16	(11)	5	(2)	1,663			1,663
Commodity swaps			–					–
Forward currency contracts	6		6		230	12		242
Currency options purchased			–					–
Currency options sold			–					–
Interest rate conversion options			–					–
Commodity options purchased			–					–
Commodity options sold			–					–
Total	**59**	**(34)**	**25**	**(23)**	**2,283**	**1,035**	**155**	**3,473**
o/w derivatives linked to net debt			17	9				–

The fair value of financial instruments is generally determined by reference to the market price resulting from transactions on a national stock market or over-the-counter financial market.
When no listed market price is available, the fair value is based on estimates calculated by financial discounting or other techniques.

Interest rate swaps
The interest rate swaps used by the Group allow a portion of bank borrowings or debt contracted in the bond market at fixed (variable) rates to be converted to variable (fixed) rates.

Cross-currency swaps
The Group uses cross-currency swaps in connection with the financing of its US subsidiaries. In these swaps, the Group is the euro lender and the dollar borrower.

Currency swaps
The Group uses currency swaps as part of its day-to-day cash management and in certain cases to utilize euro-denominated financing for assets denominated in currencies other than the euro.

Currency options and forward currency contracts
Currency options and forward currency contracts enable Group companies to hedge their foreign currency transactions, particularly their commercial transactions (purchases and sales) and investments.

Commodity swaps and options
Commodity swaps are used to hedge the risk of changes in the purchase price of raw materials, particularly heavy fuel oils in Europe and natural gas in the United States and certain European countries. Commodity options enable Group companies to hedge the risk of changes in the purchase price of natural gas in the United States. Compagnie de Saint-Gobain has not currently entered into any such options.

Impact on equity of financial instruments eligible for hedge accounting

At December 31, 2007, the consolidated cash flow reserve carried in equity in accordance with IFRS had a credit balance of €7 million, breaking down as follows:

- a gain of €8 million corresponding to the remeasurement at fair value of interest rate swaps designated as cash flow hedges for the Group's April 2007 bond issue;
- a loss of €1 million corresponding to the remeasurement at fair value of hedges of natural gas and fuel oil purchases, to be reclassified to income when the hedged item itself affects income.

Impact on income of financial instruments not eligible for hedge accounting

The fair value of derivatives classified under financial assets and liabilities at fair value through profit or loss amounted to €15 million at December 31, 2007 (December 31, 2006: €8 million).

Embedded derivatives

Saint-Gobain regularly analyzes its contracts in order to separately identify financial instruments that may be classified as embedded derivatives under IFRS. At December 31, 2007, no embedded derivatives deemed to be material at Group level were identified.

Group debt structure

The weighted average interest rate on total gross debt under IFRS and after hedging (cross-currency swaps, currency swaps and interest rate swaps) was 5.1% at end-2007 (end-2006: 4.7%).

The average internal rates of return for the Group's main long-term debt items before hedging break down as follows:

Internal rate of return on outstanding long-term debt at December 31 (in %)

	2007	2006	2005
Bond issues	4.96	5.07	5.49
Perpetual bonds and participating securities	5.98	5.55	5.09
Acquisition-related bank borrowings	–	4.10	4.14

The table below presents the breakdown by currency and by interest rate (fixed or variable) of the Group's net debt at December 31, 2007, taking into account interest rate swaps, currency swaps and cross-currency swaps.

Net debt

(in € millions)	After hedging Variable rate	Fixed rate	Total
EUR	533	7,457	7,990
USD	495	86	581
GBP	109	817	926
SEK	266	4	270
Other currencies	(198)	162	(36)
Total	**1,205**	**8,526**	**9,731**
	12 %	88 %	100 %
Fair value of related derivatives			(17)
Accrued interest			214
Total net debt			**9,928**

Interest rate repricing schedule for financial assets and debt

The table below shows the interest rate repricing schedule at December 31, 2007 for gross debt and financial assets after hedging:

(in € millions)	Within 1 year	1 to 5 years	Beyond 5 years	Total
Gross debt	3,178	4,749	3,295	11,222
Impact of interest rate swaps	(950)	950		–
Cash and cash equivalents	(1,294)			(1,294)
Net debt after hedging	**934**	**5,699**	**3,295**	**9,928**

NOTE 19

Financial assets and liabilities

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

(in € millions)	Notes	Dec. 31, 2007	Dec. 31, 2006
Loans and receivables			
Trade and other accounts receivable	(9)	7,692	7,691
Capitalized loans and deposits	(7)	199	219
Available-for-sale financial assets			
Available-for-sale and other securities	(7)	126	51
Financial assets at fair value through profit or loss			
Derivatives recorded in assets	(18)	37	19
Cash and cash equivalents	(17)	1,294	1,468
Financial liabilities at amortized cost			
Trade and other accounts payable	(15)	(9,177)	(8,855)
Long and short-term debt	(17)	(11,080)	(13,058)
Financial liabilities at fair value			
Long- and short-term debt	(17)	(159)	(18)
Derivatives recorded in liabilities	(18)	(20)	(10)

NOTE 20

Business income and expense

(in € millions)	2007	2006	2005
Net sales	43,421	41,596	35,110
Personnel costs:			
Salaries and payroll taxes	(7,888)	(7,745)	(7,038)
Share-based payments[a]	(58)	(58)	(41)
Pensions	(199)	(226)	(177)
Depreciation and amortization	(1,521)	(1,522)	(1,339)
Other[b]	(29,647)	(28,331)	(23,655)
Operating income	4,108	3,714	2,860
Gains on disposals of assets[c]	394	175	81
Recognition of negative goodwill in income	11	9	3
Other business income	405	184	84
Restructuring costs[d]	(172)	(213)	(184)
Provisions and expenses relating to claims and litigation[e]	(784)	(95)	(106)
Impairment of assets[f]	(375)	(211)	(105)
Other	(26)	(57)	5
Other business expense	(1,357)	(576)	(390)
Business income	3,156	3,322	2,554

(a) Details of share-based payments are provided in Note 11. Share-based payments under the Group Savings Plan amounted to €16 million in 2007 (2006: €19 million; 2005: €11 million), and were expensed in full at the end of the offer period (April 11 for 2007).

(b) This item relates mainly to the costs of goods sold by the Building Distribution sector (€17,000 million in 2007, €13,684 million in 2006 and €11,883 million in 2005), as well as transport costs, raw material costs and other production costs in the other sectors. This item also includes net foreign exchange gains and losses, which were virtually nil in 2007, compared with net foreign exchange losses of €4 million in 2006 and net exchange gains of €4 million in 2005.
In 2007, research and development costs recorded under operating expenses amounted to €393 million (2006: €362 million; 2005: €305 million).

(c) Gains on disposals of assets totaled €394 million in 2007 (2006: €175 million; 2005: €81 million). The increase in this item primarily reflects the capital gain on the disposal of the Saint-Gobain Desjonquères group (see Note 2).

(d) Restructuring costs in 2007 mainly consisted of employee termination benefits in an amount of €105 million (2006: €133 million; 2005: €108 million).

(e) As in 2006 and 2005, provisions and expenses relating to claims and litigation in 2007 primarily included the asbestos-related charge and the provision for the non-competition claim discussed in Notes 14 and 25.

(f) Impairment losses on assets in 2007 included €82 million taken on goodwill (2006: €125 million; 2005: €36 million), €106 million on property, plant and equipment (2006: €75 million; 2005: €37 million), €161 million on assets held for sale (including €101 million in respect of the Reinforcements and Composites business sold on November 1, 2007), and €6 million on other intangible assets (2006: €4 million; 2005: €11 million). The balance corresponds to impairment losses taken on financial assets and current assets.

NOTE 21

Other financial income and expense

Breakdown of other financial income and expense

(in € millions)	2007	2006	2005
Interest cost relating to pensions	(440)	(428)	(367)
Return on plan assets	451	387	277
Interest cost relating to pensions - net	**11**	**(41)**	**(90)**
Other financial expense	(115)	(102)	(103)
Other financial income	29	20	37
Other financial income and expense	**(75)**	**(123)**	**(156)**

Interest paid and collected

Net borrowing costs totaled €626 million in 2007 (2006: €625 million; 2005: €413 million) and net interest paid and received came to €521 million (2006: €462 million; 2005: €383 million).

Recognition of financial instruments

Net financial expense amounted to €701 million in the year (2006: €748 million; 2005: €569 million). Of this amount, €523.6 million (2006: €492.3 million) relates to instruments carried by Compagnie de Saint-Gobain and Saint-Gobain Nederland at amortized cost, while instruments carried at fair value by these two entities resulted in a positive impact of €3.5 million (2006: €1.6 million).

NOTE 22

Recurring net income

Recurring net income came in at €2,114 million in 2007 (2006: €1,702 million; 2005: €1,284 million). Based on the weighted average number of shares outstanding at December 31 (367,124,675 shares in 2007, 341,048,210 shares in 2006 and 336,330,568 shares in 2005), earnings per share amounted to €5.76 in 2007, €4.99 in 2006 and €3.82 in 2005.

The difference between net income and recurring net income (attributable to the equity holders of the parent) can be analyzed as follows:

(in € millions)	2007	2006	2005
Net income	**1,487**	**1,637**	**1,264**
Less:			
Gains on disposals of assets	394	175	81
Impairment of assets	(375)	(211)	(102)
Provision for non-competition claim	(694)	–	–
Tax impact	50	(26)	5
Impact of minority interests	(2)	(3)	(4)
Recurring net income	**2,114**	**1,702**	**1,284**

NOTE 23

Earnings per share

The calculation of earnings per share is shown below.

(in € millions)	Net income attributable to equity holders of the parent	Cancellation of interest paid on Océane bonds	Adjustment of tax impact	Adjusted net income attributable to equity holders of the parent	Number of shares	Earnings per share (in €)
2007						
Weighted average number of shares in issue	1,487			1,487	367,124,675	4.05
Weighted average number of shares assuming full dilution	1,487			1,487	374,344,930	3.97
2006						
Weighted average number of shares in issue	1,637			1,637	341,048,210	4.80
Weighted average number of shares assuming full dilution	1,637	23	(8)	1,652	363,809,234	4.54
2005						
Weighted average number of shares in issue	1,264			1,264	336,330,568	3.76
Weighted average number of shares assuming full dilution	1,264	45	(16)	1,293	357,338,208	3.62

The weighted average number of shares in issue is calculated by deducting treasury stock (4,375,969 shares at December 31, 2007) from the average number of shares in issue during the year.

The weighted average number of shares assuming full dilution is calculated based on the weighted average number of shares in issue, assuming conversion of all dilutive instruments. The Group's dilutive instruments include stock options – corresponding to a weighted average of 6,721,140 shares in 2007 and 4,634,248 shares in 2006 – and for 2005, Océane bonds convertible into 17,523,812 shares.

NOTE 24

Commitments

The Group's contractual obligations and commercial commitments are described below, except for commitments related to debt and financial instruments, which are discussed in Notes 17 and 18, respectively.

The Group has no other material commitments.

Obligations under finance leases

Non-current assets acquired under finance leases are capitalized in the consolidated financial statements and a corresponding liability is also recorded in the balance sheet.

At December 31, 2007, €80 million of future minimum lease payments due under finance leases corresponded to land and buildings. Capitalized finance leases represented a total carrying amount of €190 million at December 31, 2007 (December 31, 2006: €210 million).

(in € millions)	Dec. 31, 2007	Dec. 31, 2006
Future minimum lease payments		
- within 1 year	48	51
- 1 to 5 years	96	131
- beyond 5 years	33	46
Total	177	228
Less estimated executory costs included in capitalized finance leases		(3)
Total future minimum lease payments	177	225
Less interest costs	(21)	(26)
Present value of future minimum lease payments	156	199

Obligations under operating leases

The Group leases equipment and office, manufacturing and warehouse space under various non-cancelable operating leases. Lease terms generally range from 1 to 9 years. Certain contracts contain renewal options for various periods of time and clauses for payment of real estate taxes and insurance. In most cases, management expects that these leases will be renewed or replaced by other leases in the normal course of business.

Net rental expense was €645 million in 2007, corresponding to rental expense of €664 million, including €401 million relating to land and buildings, less €19 million of subletting revenue.

Future payments due under operating leases are as follows:

(in € millions)	Total 2007	Payments due Within 1 year	1 to 5 years	Beyond 5 years	Total 2006 *
Operating leases					
Rental expense	3,090	596	1,369	1,125	2,669
Subletting revenue	(133)	(15)	(35)	(83)	(77)
Total	**2,957**	**581**	**1,334**	**1,042**	**2,592**

* Restated.

Non-cancelable purchase commitments

Non-cancelable purchase commitments include commitments to purchase raw materials and services including vehicle leasing commitments, as well as non-cancelable investment-related orders.

(in € millions)	Total 2007	Payments due Within 1 year	1 to 5 years	Beyond 5 years	Total 2006 *
Non-cancelable purchase commitments					
Non-current assets	317	310	7		195
Raw materials	717	308	305	104	679
Services	90	45	41	4	125
Other	152	80	58	14	85
Total	**1,276**	**743**	**411**	**122**	**1,084**

* Restated.

Guarantee commitments

The Group grants seller's warranties in relation to the sale of certain subsidiaries. A provision is set aside whenever a risk is identified and the related cost can be estimated reliably.
The Group has also received guarantees, amounting to €92 million at December 31, 2007 (€42 million at December 31, 2006).

Commitments arising on the Maxit and DLH acquisitions

In August 2007, the Saint-Gobain Group agreed to buy Maxit, a subsidiary of HeidelbergCement, for an enterprise value of €2,091 million. At year-end, a decision was still pending from the European competition authorities as to whether the acquisition could go ahead.
On December 20, 2007, Saint-Gobain's Building Distribution business announced that it was to buy the building materials division of Danish company DLH. The acquisition is subject to the approval of the competent competition authorities.
At December 31, 2007, this transaction represented a share purchase commitment of €146 million for the Group.

Commercial commitments

(in € millions)	Total 2007	Payments due Within 1 year	1 to 5 years	Beyond 5 years	Total 2006 *
Security for borrowings	9	3	3	3	9
Other commitments given	140	34	38	68	115
Total	**149**	**37**	**41**	**71**	**124**

* Restated.

At December 31, 2007, pledged assets amounted to €242 million (December 31, 2006: €237 million) and mainly concerned fixed assets in India, South Korea and China.
Guarantees given to the Group in respect of receivables amounted to €115 million at December 31, 2007 (€81 million at December 31, 2006).

NOTE 25

Litigation

Asbestos-related litigation

In France, further individual lawsuits were filed in 2007 by former employees (or persons claiming through them) of Everite and Saint-Gobain PAM ("the employers") – which in the past had carried out fiber-cement operations – for asbestos-related occupational diseases, with the aim of obtaining supplementary compensation over and above the amounts paid by the French Social Security authorities in this respect. A total of 634 such lawsuits have been issued against the two companies since 1997.

At December 31, 2007, 461 of these 634 lawsuits had been completed both in relation to liability and quantum. In all of these cases, the employers were held liable on the grounds of "inexcusable fault".

Everite and Saint-Gobain PAM were held liable to pay a total amount of less than €2 million in compensation as regards these lawsuits.

Concerning the 173 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2007, the merits of 67 have been decided but the compensation awards have not yet been made, pending issue of medical reports. In all these cases, the Social Security authorities were ordered to pay compensation for the victims for procedural reasons (statute of limitations, liability issues – *inopposabilité*).

Out of the 106 remaining lawsuits, 17 have not been the object of any further proceedings for at least three years and 12 were dismissed following a claim made to the French Asbestos Victims Compensation Fund (FIVA), including three cases previously considered inactive. At December 31, 2007, the procedures relating to the merits of the other 77 cases were at different stages: ten are involved in administrative proceedings with the French Social Security authorities; 49 are pending with the Social Security courts; 8 are pending an appeal hearing; 1 has been referred to the Versailles Court of Appeal following a hearing by the Court of Cassation; rulings have been issued in 7 cases by the Versailles Court of Appeal, with the Social Security authorities in the process of reimbursing Everite; and 2 are being examined by the Court of Cassation in light of liability issues.

In addition, 103 suits based on inexcusable fault had been filed by current or former employees of 14 other French companies in the Group, in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.

At December 31, 2007, FIVA had intervened in 11 cases. It is pursuing proceedings in two cases after compensating the employees, and enquiries are ongoing in nine other cases following the employees' withdrawal from the proceedings. At that date, 63 lawsuits were completed, of which 14 rulings held the employer liable for inexcusable fault. However, these rulings did not have any financial impact on the companies concerned.

For the 29 suits outstanding at December 31, 2007, four were in the investigation stage by the French Social Security authorities, 14 were pending before the Social Security courts and eight before the Courts of Appeal, and three cases have not undergone any procedural measures for at least the last three years.

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 the employees or former employees of the companies. The claims 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 2007

After three years marked by high numbers of claims filed against CertainTeed (60,000 in 2001, 67,000 in 2002, and 62,000 in 2003, compared with 19,000 in 2000), new claims filed fell to 18,000 in 2004, and subsequently dropped to 17,000 in 2005, to 7,000 in 2006 and to some 6,000 in 2007. This decline was felt over the last four years in most states, particularly in those which had seen the greatest numbers of claims in the previous years. This decline reflects State court rulings as well as changes in local legislation in various States to introduce stricter medical criteria for new claims.

Almost all of the claims against CertainTeed are settled out of court. Approximately 8,000 claims were settled out of court in 2007, compared with 54,000 in 2003 and 20,000 in 2004 and in 2005 and 12,000 in 2006. Taking into account the 76,000 outstanding claims at the end of 2006 and the new claims having arisen during the year, as well as claims settled or placed in inactive docket, some 74,000 claims were outstanding at December 31, 2007.

Impact on the Group's results

The Group recorded a €90 million charge in 2007 to cover future developments in relation to claims involving CertainTeed. This amount is slightly lower than the €95 million recorded in 2006, the €100 million recorded in 2005, the €108 million recorded in 2004, and the €100 million recorded in 2002 and 2003. At December 31, 2007, the Group's total cover for asbestos-related claims against CertainTeed in the United States was €321 million, (USD 473 million), compared with €342 million at December 31, 2006 (USD 451 million). The coverage is achieved almost entirely through the balance sheet provision, as most available insurance had been used by 2004.

Cash flow impact

Compensation paid in respect of these claims against CertainTeed (including claims settled prior to 2007 but only paid out in 2007, and those fully resolved and paid in 2007), and compensation paid (net of insurance) by other Group businesses in connection with asbestos-related litigation, amounted to €53 million (USD 73 million) in 2007, compared to €67 million (USD 84 million) in 2006.

Outlook for 2008

No significant developments have been observed during the past few months, either in terms of new claims or in terms of compensation paid.
On the legislative front, the Federal reform bill - which sought to phase out the current system with the creation of an asbestos trust fund – now appears unlikely to progress.

In Brazil, former Group employees suffering from asbestos-related occupational illness are offered either exclusively financial compensation or lifetime medical assistance combined with financial assistance. Only a small number of asbestos-related lawsuits were outstanding at December 31, 2007 and they do not represent a material risk for the companies concerned.

European Commission investigation into the construction glass and automotive glass industries

Further to its investigations carried out at the sites and premises of glassmakers operating in Europe (including Saint-Gobain Glass and Saint-Gobain Sekurit) during February and March 2005, and in light of information provided to the European Commission by one of these companies as part of an application for leniency, the European Commission sent Statements of Objections to Saint Gobain Glass France (construction glass) on March 12, 2007, and to Saint-Gobain Glass France, Saint-Gobain Sekurit Deutschland and Saint-Gobain Sekurit France (automotive glass) on April 19, 2007. The two Statements of Objections, which were also sent to Compagnie de Saint-Gobain in its capacity as parent company of the entities, concerned an alleged breach of Article 81 of the Treaty of Rome.
The Statements of Objections claim that the above-mentioned glass subsidiaries contacted or met with one or more competitors to discuss pricing strategies or market share stabilization, or to exchange illicit information. Following a review of the case and the objections, Saint-Gobain Glass France is not challenging the allegations made in respect of its construction glass activity, while Saint-Gobain Glass France, Saint-Gobain Sekurit Deutschland and Saint-Gobain Sekurit France have acknowledged the claims against their automotive glass businesses but are challenging the scope given to certain such claims by the Commission.
In their responses to the Commission, the companies concerned nevertheless set forth a series of arguments based on the seriousness and duration of the alleged infringements, the amount of sales generated by the activities to be taken into account in the claim, and the impact of the repeat offence. Compagnie de Saint-Gobain has formally denied any liability whatsoever for the allegations made in the two cases.
In a decision of November 28, 2007 concerning its investigation into companies manufacturing construction glass, the European Commission held that Saint-Gobain Glass France had violated Article 81 of the Treaty of Rome. Accordingly, Saint-Gobain Glass France was fined, jointly and severally with Compagnie de Saint-Gobain, an amount of €133.9 million. Compagnie de Saint-Gobain and Saint-Gobain Glass France decided not to appeal this decision and the fine was paid on March 3, 2008.
After adjusting the amount of the provision set aside in respect of this fine for the construction glass business, and revising the provision for the automotive glass investigation to incorporate a higher sales basis (2007 rather than 2006 sales), the €650 million provision set aside in the first half of 2007 was increased to €694 million at December 31, 2007.

NOTE 26

Environment - Hygiene - Safety (EHS)

Environmental assets

Costs incurred to mitigate or prevent environmental risks are capitalized when they are expected to generate future economic benefits that will flow to the Group. At December 31, 2007, capitalized environmental costs amounted to €107 million in the consolidated balance sheet (end-2006: €108 million; end-2005: €75 million). The costs relate to pollution-abatement and environmental protection equipment, investments for the recycling of raw materials and waste, measures to reduce consumption of energy and certain raw materials, as well as research into improving product life cycles.

Environmental liabilities

When the Group considers that it is exposed to an environmental risk, a provision for the estimated future costs is recorded in provisions for other liabilities and charges. These provisions amounted to €146 million at December 31, 2007, €131 million at December 31, 2006, and €145 million at December 31, 2005 (after the allocation in of the BPB purchase price to environmental provisions for an amount of €38 million). In 2005, movements in this item are mainly due to changes in Group structure. The BPB group was acquired on December 1, 2005, and at that time owned 87 quarries for which it had set aside €45 million in provisions for site rehabilitation.

The present value of these provisions is calculated on a case-by-case basis according to when the risk is expected to materialize. This is particularly the case for provisions covering the cost of dismantling and restoring sites and retiring assets. However, when the timing of the risk cannot be estimated reliably, the risk is considered a current liability and is not discounted.

Environment-related risks and industrial sites subject to specific regulations are monitored by the Environment, Health and Safety Department.

NOTE 27

Related-party transactions

Balances and transactions with associates

(in € millions)	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Assets			
Financial receivables	2	11	4
Inventories		1	–
Short-term receivables	9	16	16
Cash and cash equivalents		1	2
Provisions for impairment in value			2
Liabilities			
Short-term debt	1	7	1
Cash advances		4	1
Expenses			
Purchases	17	86	16
Income			
Sales	41	66	64

Revenue from transactions with proportionately consolidated companies

Transactions with proportionately consolidated companies are treated as transactions with external parties and the Group's share of revenue arising from such transactions is not eliminated on consolidation. In 2007 this revenue amounted to €4 million (2006: €3 million; 2005: €9 million).

Transactions with key shareholders

Some Group subsidiaries, particularly in the Building Distribution business, carry out transactions with subsidiaries of the Wendel group (mainly Legrand and Materis). Business relations between the two groups have not changed since Wendel increased its interest in the Group in the second half of 2007, and transactions are carried out on an arm's length basis.

NOTE 28

Joint ventures

The amounts recorded in the 2007 balance sheet and income statements corresponding to the Group's interest in its proportionately consolidated companies are as follows:

- Non-current assets: €208 million.
- Current assets: €117 million.
- Non-current liabilities: €11 million.
- Current liabilities: €78 million.
- Sales: €255 million.
- Operating expenses: €173 million.

NOTE 29

Management compensation

The expense recorded in relation to compensation and benefits allocated to members of the Board of Directors and the Group's senior managers breaks down as follows:

(in € millions)	2007
Attendance fees	0.8
Gross compensation and benefits in kind:	
fixed portion	7.8
variable portion	7.1
Estimated cost relating to pensions and other employee benefits (IAS 19)	1.3
Expense relating to stock options	9.6
Termination benefits	0.7
Total	**27.3**

Employers' social security contributions relating to the above compensation represented an estimated €4.4 million.

NOTE 30

Employees

Average number of employees	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Fully consolidated companies			
Managers	22,258	22,648	21,943
Other non-manual employees	82,734	80,078	70,815
Other employees	101,642	103,095	92,514
Total	**206,634**	**205,821**	**185,272**
Proportionately consolidated companies (*)			
Managers	42	52	57
Other non-manual employees	323	264	240
Other employees	650	702	697
Sub-Total	**1,015**	**1,018**	**994**
TOTAL	**207,649**	**206,839**	**186,266**

* Proportion of headcount allocated to the Group.

The increase in the average number of employees in 2007 is due to the Group's acquisitions, the impact of which was smoothed over the twelve months of the year.
At December 31, 2007, the total number of Group employees – including in proportionately consolidated companies – came to 204,880 (end-2006: 205,864; end-2005: 199,630).

NOTE 31

Segment reporting

Segment information by sector and division

Segment information is presented as follows:

- Flat Glass Sector
- High-Performance Materials (HPM) Sector
- Construction Products (CP) Sector
  – Interior Solutions: Insulation and Gypsum
  – Exterior Solutions: 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 based on the same conditions as sales to external customers and are eliminated in consolidation. The accounting policies applied are the same as those applied for the Group, as described in Note 1.

(in € millions) 2007	Flat Glass	High-Performance Materials	Construction Products				Building Distribution	Packaging	Other*	Total
			Interior Solutions	Exterior Solutions	Items eliminated	Total				
External sales	5,577	4,629	6,002	4,187		10,189	19,478	3,542	6	43,421
Internal sales	34	123	626	329	(32)	923	2	4	(1,086)	–
Net sales	5,611	4,752	6,628	4,516	(32)	11,112	19,480	3,546	(1,080)	43,421
Operating income/(loss)	717	585	980	333		1,313	1,102	401	(10)	4,108
Business income/(loss)	(49)	333	962	281		1,243	1,069	688	(128)	3,156
Share in net income of associates		3	7	–		7	2	1	1	14
Depreciation and amortization	347	216	318	141		459	286	209	14	1,531
Impairment of assets	73	225	9	31		40	9	(4)	1	344
Net goodwill	179	1,153	3,831	766		4,597	3,078	233		9,240
Non-amortizable brands			815	–		815	1,948			2,763
Total segment assets **	**4,976**	**4,238**	**9,994**	**3,516**		**13,510**	**13,580**	**2,758**	**281**	**39,343**
Total segment liabilities ***	**2,421**	**1,125**	**1,911**	**1,366**		**3,277**	**4,249**	**936**	**1,047**	**13,055**
Investments during the year										
– capital expenditure	523	238	622	211		833	369	309	20	2,292
– securities (net of cash acquired)	18	22	98	93		191	500	(1)	20	750
Cash flows from operations	677	487	739	321		1,060	825	425	288	3,762

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

** The difference between total balance sheet assets and total segment assets is attributable to current and deferred taxes (€501 million) and cash and cash equivalents (€1,294 million).

*** The difference between total balance sheet liabilities and equity and total segment liabilities is attributable to equity (€15,267 million), current and deferred taxes (€1,594 million) and debt (€11,222 million).

(in € millions) 2006	Flat Glass	High-Performance Materials	Construction Products				Building Distribution	Packaging	Other*	Total
			Interior Solutions	Exterior Solutions	Items eliminated	Total				
External sales	5,051	4,809	5,864	4,215		10,079	17,579	4,074	4	41,596
Internal sales	32	129	573	262	(38)	797	2	6	(966)	–
Net sales	5,083	4,938	6,437	4,477	(38)	10,876	17,581	4,080	(962)	41,596
Operating income/(loss)	480	500	1,028	348		1,376	1,001	376	(19)	3,714
Business income/(loss)	455	415	989	240		1,229	980	379	(136)	3,322
Share in net income/(loss) of associates	(8)	3	10	–		10	2			7
Depreciation and amortization	322	248	284	147		431	268	239	14	1,522
Impairment of assets	25	27	7	28		35	3	93	12	195
Net goodwill	189	1,380	3,962	722		4,684	2,826	248		9,327
Non-amortizable brands			856	–		856	1,987			2,843
Total segment assets **	**4,905**	**5,184**	**9,804**	**3,464**		**13,268**	**12,819**	**3,367**	**251**	**39,794**
Total segment liabilities ***	**1,738**	**1,491**	**2,009**	**1,392**		**3,401**	**4,115**	**1,218**	**747**	**12,710**
Investments during the year										
– capital expenditure	448	226	632	214		846	328	336	24	2,208
– securities (net of cash acquired)	13	1	19	79		98	331	58		501
Cash flows from operations	529	432	726	322		1,048	817	402	119	3,347

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

** The difference between total balance sheet assets and total segment assets is attributable to current and deferred taxes (€414 million) and cash and cash equivalents (€1,468 million).

*** The difference between total balance sheet liabilities and equity and total segment liabilities is attributable to equity (€14,487 million), current and deferred taxes (€1,412 million) and debt (€13,067 million).

(in € millions) 2005	Flat Glass	High-Performance Materials	Construction Products				Building Distribution	Packaging	Other*	Total
			Interior Solutions	Exterior Solutions	Items eliminated	Total				
External sales	4,652	4,755	2,319	3,925		6,244	15,450	4,002	7	35,110
Internal sales	28	125	188	282	(20)	450	1	6	(610)	–
Net sales	4,680	4,880	2,507	4,207	(20)	6,694	15,451	4,008	(603)	35,110
Operating income/(loss)	453	511	284	330		614	888	385	9	2,860
Business income/(loss)	443	411	221	338		559	874	375	(108)	2,554
Share in net income/(loss of associates		6	1	1		2	1	1		10
Depreciation and amortization	331	258	120	145		265	221	252	12	1,339
Impairment of assets	4	49	16	11		27	1			81
Net goodwill	193	1,558	4,140	679		4,819	2,551	588	9	9,718
Non-amortizable brands			846	–		846	1,976			2,822
Total segment assets **	**4,888**	**5,611**	**9,451**	**3,248**		**12,699**	**11,316**	**3,832**	**257**	**38,603**
Total segment liabilities ***	**1,905**	**1,607**	**2,135**	**1,303**		**3,438**	**3,445**	**1,197**	**1,007**	**12,599**
Investments during the year										
– capital expenditure	485	271	198	160		358	344	306	13	1,777
– securities (net of cash acquired)	118	36	5,563	42		5,605	580	97		6,436
Cash flows from operations	528	446	256	303		559	667	432	103	2,735

* "Other" corresponds to the elimination of intragroup transactions for internal sales and to holding operations for the other captions.
** The difference between total balance sheet assets and total segment assets is attributable to current and deferred taxes (€529 million) and cash and cash equivalents (€2,080 million).
*** The difference between total balance sheet liabilities and equity and total segment liabilities is attributable to equity (€12,318 million), current and deferred taxes (€1,365 million) and debt (€14,930 million).

Information relating to the Interior and Exterior Solutions divisions of the Group's Construction Products (CP) Sector in 2006 and 2005 were adjusted in order to permit a meaningful comparison with 2007 and to reflect changes in internal reporting procedures.

Information by geographic area

(in € millions)	France	Other western European countries	North America	Emerging countries and Asia	Internal sales	Total
2007						
Net sales	12,931	19,905	5,793	6,921	(2,129)	**43,421**
Total segment assets	11,031	16,110	5,538	6,664		**39,343**
Capital expenditure	550	699	372	671		**2,292**

(in € millions)	France	Other western European countries	North America	Emerging countries and Asia	Internal sales	Total
2006						
Net sales	12,528	18,448	6,790	5,933	(2,103)	**41,596**
Total segment assets	10,990	16,219	5,981	6,604		**39,794**
Capital expenditure	499	751	363	595		**2,208**

(in € millions)	France	Other western European countries	North America	Emerging countries and Asia	Internal sales	Total
2005						
Net sales	11,467	15,060	6,029	4,474	(1,920)	**35,110**
Total segment assets	10,494	14,756	7,223	6,130		**38,603**
Capital expenditure	415	558	260	544		**1,777**

The geographical breakdown of external sales for 2007, 2006 and 2005 is as follows:

(in € millions)	France	Other western European countries	North America	Emerging countries and Asia	Total
2007					
Net sales	11,388	19,350	5,563	7,120	**43,421**
2006					
Net sales	10,874	17,853	6,618	6,251	**41,596**
2005					
Net sales	9,969	14,544	5,828	4,769	**35,110**

NOTE 32

Principal fully consolidated companies

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

Principal fully consolidated companies at December 31, 2007		% interest (held directly and indirectly)
FLAT GLASS SECTOR		
Saint-Gobain Glass France	France	100.00%
Saint-Gobain Sekurit France	France	100.00%
Saint-Gobain Sekurit Deutschland GmbH & CO Kg	Germany	99.91%
Saint-Gobain Glass Deutschland GmbH	Germany	99.91%
SG Deutsche Glas GmbH	Germany	99.91%
Saint-Gobain Glass Benelux	Belgium	99.76%
Saint-Gobain Sekurit Benelux SA	Belgium	99.91%
Saint-Gobain Autover Distribution SA	Belgium	99.91%
Koninklijke Saint-Gobain Glass	Netherlands	99.76%
Saint-Gobain Glass Polska Sp Zoo	Poland	99.91%
Cebrace Cristal Plano Ltda	Brazil	50.00%
Saint-Gobain Vidros	Brazil	100.00%
Saint-Gobain Cristaleria SA	Spain	99.72%
Solaglas Ltd	United Kingdom	99.97%
Saint-Gobain Glass Italia	Italy	100.00%
Saint-Gobain Sekurit Italia	Italy	100.00%
Hankuk Glass Industries	South Korea	80.47%
Hankuk Sekurit Limited	South Korea	90.15%
Saint-Gobain Glass India	India	97.80%
HIGH-PERFORMANCE MATERIALS		
Saint-Gobain Abrasifs	France	99.92%
Société Européenne des Produits Réfractaires	France	100.00%
Saint-Gobain Abrasives Inc.	United States	100.00%
Saint-Gobain Ceramics & Plastics Inc.	United States	100.00%
Saint-Gobain Performance Plastics Corp.	United States	100.00%
SG Abrasives Canada Inc.	Canada	100.00%
Saint-Gobain Abrasivi	Italy	99.92%
SEPR Italia	Italy	100.00%
Saint-Gobain Abrasivos Brasil	Brazil	100.00%
Saint-Gobain Abrasives BV	Netherlands	99.92%
Saint-Gobain Abrasives Ltd	United Kingdom	99.97%
Saint-Gobain Vertex SRO	Czech Republic	100.00%
CONSTRUCTION PRODUCTS SECTOR		
Interior solutions		
Saint-Gobain Isover	France	100.00%
Saint-Gobain Isover G+H AG	Germany	99.91%
CertainTeed Corporation	United States	100.00%
Saint-Gobain Ecophon Group	Sweden	99.98%
Saint-Gobain Isover Yegorievsk Ooo	Russia	99.98%
BPB Plc	United Kingdom	100.00%
CertainTeed Gypsum & Ceillings USA	United States	100.00%
CertainTeed Gypsum Canada Inc.	Canada	100.00%
BPB Gypsum (Pty) Ltd	South Africa	100.00%
BPB Gypsum Inc.	United States	100.00%

Principal fully consolidated companies at December 31, 2007		% interest (held directly and indirectly)
BPB Iberplaco SA	Spain	100.00%
BPB Italia SpA	Italy	100.00%
British Gypsum Ltd	United Kingdom	100.00%
Gypsum industries Ltd	Irland	100.00%
Placoplatre SA	France	99.75%
Rigips GmbH	Germany	100.00%
Thai Gypsum Products PLC	Thailand	99.66%
Exterior solutions		
Saint-Gobain Weber	France	99.99%
Saint-Gobain Quartzolit Ltda	Brazil	100.00%
Saint-Gobain Weber Cemarksa SA	Spain	99.99%
CertainTeed Corporation	United States	100.00%
Brasilit	Brazil	100.00%
Saint-Gobain PAM SA	France	100.00%
Saint-Gobain Gussrohr KG	Germany	100.00%
Saint-Gobain Pipelines Plc	United Kingdom	99.97%
Saint-Gobain Canalizacion SA	Spain	99.94%
Saint-Gobain Condotte SpA	Italy	100.00%
Saint-Gobain Canalizaçao SA	Brazil	100.00%
Saint-Gobain Xuzhou Pipe Co Ltd	China	100.00%
BUILDING DISTRIBUTION SECTOR		
Distribution Sanitaire Chauffage	France	100.00%
Lapeyre	France	100.00%
Point.P	France	100.00%
Saint-Gobain Idaplac	Spain	100.00%
Saint-Gobain Distribucion y Construccion	Spain	100.00%
La Plataforma	Spain	100.00%
Raab Karcher GmbH	Germany	100.00%
Saint-Gobain Building Distribution Ltd	United Kingdom	99.97%
Raab Karcher BV	Netherlands	100.00%
Dahl International AB	Sweden	100.00%
Optimera Gruppen AS	Norway	100.00%
Norandex	United States	100.00%
Sanitas Troesch	Switzerland	100.00%
PACKAGING SECTOR		
Saint-Gobain Emballage	France	100.00%
Saint-Gobain Oberland AG	Germany	96.67%
Saint-Gobain Vicasa SA	Spain	99.63%
Saint-Gobain Containers Inc.	United States	100.00%
Saint-Gobain Vetri SpA	Italy	99.99%

NOTE 33

Subsequent events

Saint-Gobain finalized its acquisition of the Maxit group from HeidelbergCement on March 13, 2008, following approval from the European competition authorities on March 4, 2008 (subject to the divestment of two small subsidiaries specializing in the production and sale of gypsum-based products with total revenues of around €40 million). The cost of the transaction is €2,091 million, including €577 million in debt.

Due to the breakdown of negotiations regarding the sale of the US fiber reinforcements business, at the beginning of March the Group decided to close down the site and sell off all of the assets. This decision does not alter the overall valuation of assets and liabilities at December 31, 2007.

Statutory Auditors' report on the consolidated financial statements

Year ended December 31, 2007

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 readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the 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 captions or on information taken outside of the consolidated financial statements.

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

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Compagnie de Saint-Gobain for the year ended December 31, 2007.

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

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our 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 Compagnie de Saint-Gobain and its subsidiaries as at December 31, 2007, and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

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:

- **Impairment 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 (section "Impairment of assets"). We examined the methods applied in implementing these tests and the estimates and assumptions used, and we verified that the information disclosed in Note 1 is appropriate.

Employee benefits

The methods applied for assessing employee benefits are set out in Note 1 to the consolidated financial statements (section "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 12 to the consolidated financial statements is appropriate.

Provisions

As specified in Note 1 to the consolidated financial statements (section "Other current and non-current liabilities and provisions"), the Group books provisions to cover risks. The types of provisions recorded under "Other liabilities" are described in Note 14 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, particularly those relating to the European Commission's procedures in the construction glass and automotive glass industries, as well as the disclosures relating to said provisions provided in the notes to the consolidated financial statements, are appropriate. We assessed whether these estimates are reasonable.

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

III - Specific verification

In accordance with professional standards applicable in France, we have also verified the information given 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, March 20, 2008

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG Audit
Division of KPMG S.A.

Pierre Coll   Rémi Didier

Jean Gatinaud   Jean-Paul Vellutini

Parent company financial statements

Contents

Income statement

(in € thousands)		2007	2006	2005
Operating income				
Royalties		122,813	112,190	102,715
Other services		68,856	68,396	69,964
Net sales		**191,669**	**180,586**	**172,680**
Write-backs of depreciation, amortization, impairment and provisions		7,727	16,057	–
Expense transfers		8,519	2,358	1,483
Other operating income		85	93	150
	Total I	208,000	199,094	174,313
Operating expense				
Other purchases and external charges		(126,212)	(113,665)	(118,129)
Taxes other than on income		(6,103)	(5,046)	(4,906)
Wages and salaries		(38,021)	(36,648)	(37,799)
Payroll taxes		(17,636)	(17,046)	(17,377)
Depreciation, amortization, impairment and provisions		(17,328)	(10,140)	(4,919)
Other operating expense		(2,593)	(2,607)	(2,148)
	Total II	(207,893)	(185,152)	(185,278)
NET OPERATING INCOME/(LOSS)		107	13,942	(10,964)
Share in profits/(losses) of joint ventures		–	–	–
Gains	Total III	–	–	–
Losses	Total IV	–	–	–
Financial income				
Income from investments in subsidiaries and affiliates		548,741	457,288	579,639
Income from loans and other investments		690,434	532,540	301,036
Income from other non-current investment securities		33	46	43
Other interest income		86,915	114,187	140,284
Write-backs of impairment, provisions, and expense transfers		50,405	81,639	24,328
Foreign exchange gains		46,347	138,458	97,679
Net income from sales of marketable securities		7,902	–	11,432
	Total V	1,430,777	1,324,158	1,154,441
Financial expense				
Depreciation, amortization, impairment and provisions		(14,132)	(79,720)	(83,888)
Interest expense		(702,680)	(628,619)	(489,592)
Foreign exchange losses		(43,715)	(146,390)	(92,350)
Net expense on sales of marketable securities		–	–	–
	Total VI	(760,527)	(854,729)	(665,830)
Net financial income (note 2)		670,250	469,429	488,611
INCOME BEFORE TAX AND EXCEPTIONAL ITEMS		670,357	483,371	477,646

(in € thousands)		2007	2006	2005
Exceptional income				
On revenue transactions		894	212	1,055
On capital transactions		81,285	3,105,209	3,034,334
Write-backs of depreciation, amortization, impairment and provisions		61,612	323,020	14,003
	Total VII	143,791	3,428,441	3,049,392
Exceptional expense				
On revenue transactions		(5,191)	(7,717)	(41,746)
On capital transactions		(128,757)	(3,133,030)	(3,015,767)
Depreciation, amortization, impairment and provisions		(69,346)	(71,872)	(341)
	Total VIII	(203,294)	(3,212,619)	(3,057,854)
Net exceptional income/(loss) (note 3)		(59,503)	215,822	(8,462)
Income taxes (note 4)	Total IX	260,296	149,994	55,945
Total income		2,247,175	5,101,687	4,434,091
Total expenses		(1,376,025)	(4,252,500)	(3,908,961)
NET INCOME		871,150	849,187	525,130

Balance sheet

at December, 31

ASSETS (in € thousands)	2007 Gross	2007 Depreciation, amortization, impairment and provisions	2007 Net	2006	2005
NON-CURRENT ASSETS					
Intangible assets (note 5)					
Goodwill [1]	567	(544)	23	45	68
Other intangible assets	42,911	(31,302)	11,609	10,845	14,926
In progress	1,153	–	1,153	4,380	1,806
Property and equipment (note 6)					
Land	620	–	620	620	620
Buildings	12,783	(344)	12,439	211	221
Other	7,168	(5,313)	1,855	2,117	2,193
In progress	2,795	–	2,795	10,426	2,727
Financial investments [2] (note 7)					
Investments in subsidiaries and affiliates	8,120,630	(639)	8,119,991	7,718,746	7,718,834
Investment-related receivables	11,724,206	–	11,724,206	11,439,395	10,331,139
Other investment securities	199,682	(51,209)	148,473	226,914	306,071
Loans	902,005	–	902,005	639,158	1,477,635
Other financial investments	584	–	584	604	613
Total I	**21,015,104**	**(89,351)**	**20,925,753**	**20,053,461**	**19,856,853**
CURRENT ASSETS (note 8)					
Other receivables [3]	2,525,570	(254)	2,525,316	2,688,401	94,739
Marketable securities	50,227	(127)	50,100	–	–
Cash and cash equivalents	55,883	–	55,883	11,485	2,468,415
Accruals					
Prepayments [3]	2,219	–	2,219	3,630	3,355
Total II	**2,633,899**	**(381)**	**2,633,518**	**2,703,516**	**2,566,509**
Deferred charges **Total III**	**24,053**	**–**	**24,053**	**29,996**	**27,528**
Translation adjustments - assets Total IV	**39**	**–**	**39**	**283**	**–**
TOTAL ASSETS	**23,673,095**	**(89,732)**	**23,583,363**	**22,787,256**	**22,450,890**
(1) Including leasehold rights	–	–	–	–	–
(2) Of which due within one year	2,710,071	2,185,787	3,800,976		
(3) Of which due in over one year	–	–	3,166	11,044	8,550

SHAREHOLDERS' EQUITY AND LIABILITIES (in € thousands)		2007	2006	2005
SHAREHOLDERS'EQUITY (note 9)				
Capital stock		1,496,865	1,473,679	1,381,025
Additional paid-in capital		3,467,466	3,167,609	2,122,870
Revaluation reserve		55,532	56,242	56,262
Reserves:				
Legal reserve [a]		149,686	147,368	138,103
Untaxed reserves		2,617,758	2,617,757	2,617,757
Other reserves		301,428	301,428	301,428
Unappropriated retained earnings		1,506,206	1,278,081	1,276,093
Net income for the year		871,150	849,187	525,130
Untaxed provisions **(note 11)**		6,438	6,439	6,442
	Total I	**10,472,529**	**9,897,790**	**8,425,110**
OTHER EQUITY (note 10)				
Non-voting participating securities	**Total I bis**	**170,035**	**170,035**	**170,035**
PROVISIONS (note 11)				
Provisions for contingencies		88,326	79,842	366,443
Provisions for charges		62,193	56,242	11,257
	Total II	**150,519**	**136,084**	**377,700**
DEBT AND PAYABLES [1] (note 12)				
Bonds		5,680,066	3,206,394	976,815
Bank borrowings [2]		201,747	3,529,223	5,928,156
Other borrowings		6,807,481	5,695,018	6,495,002
Tax and social charges payable		57,769	88,192	63,018
Other payables		42,012	63,853	14,250
Accruals				
Deferred income		–	–	–
	Total III	**12,789,075**	**12,582,680**	**13,477,241**
Translation adjustments - liabilities	**Total IV**	**1,205**	**667**	**804**

TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**23,583,363**	**22,787,256**	**22,450,890**
(a) Of which reserve for long-term capital gains	14,225	14,225	14,225
(1) Of which due in over one year	8,608,975	9,220,071	10,054,060
Of which due within one year	4,180,101	3,362,609	3,423,181
(2) Of which short-term bank loans and overdrafts	29,388	273,498	314,389

Cash flow statement

(in € thousands)	2007	2006	2005
Net income	**871,150**	**849,187**	**525,130**
Depreciation and amortization	9,911	15,383	7,277
Changes in provisions	(28,849)	(274,529)	43,539
Gains and losses on disposals of assets, net	41,396	27,821	(18,567)
Cash flows from operations	**893,608**	**617,862**	**557,379**
(Increase) decrease in other receivables	156,228	12,238	(8,787)
(Increase) decrease in receivables related to the reclassification of subsidiaries' current accounts[1]	–	(2,625,046)	–
Increase (decrease) in taxes and social charges payable	(30,423)	25,174	26,927
Increase (decrease) in other payables	(12,902)	56,332	(545)
Net change in working capital	**112,903**	**(2,531,302)**	**17,595**
Cash flows from operating activities	**1,006,511**	**(1,913,440)**	**574,974**
Acquisitions of intangible assets	(3,283)	(3,680)	(4,795)
Acquisitions of property and equipment	(5,658)	(8,169)	(3,122)
Disposals of property and equipment and intangible assets	1,353	63	54
Acquisitions of investments in subsidiaries and affiliates and other investment securities	(402,821)	(2,968,279)	(2,932,008)
Acquisitions of treasury stock	–	(109,449)	(209,563)
Disposals of investments in subsidiaries and affiliates and other investment securities	79,932	3,105,146	3,034,280
(Increase) decrease in investment-related receivables	(284,811)	(1,108,256)	(5,992,674)
(Increase) decrease in long-term loans	(262,847)	838,477	(369,372)
(Increase) decrease in other financial investments	20	9	(78)
Cash flows used in investing activities/divestments	**(878,115)**	**(254,138)**	**(6,477,278)**
Issues of capital stock	325,361	1,146,658	155,359
Dividends paid	(621,062)	(459,483)	(429,812)
Increase (decrease) in unappropriated retained earnings	–	–	–
Increase (decrease) in revaluation reserves	–	–	–
Increase (decrease) in other equity	–	–	–
Increase (decrease) in provisions for contingencies and charges	2,490	(6,769)	6,857
Increase (decrease) in short- and long-term debt	(661,271)	(712,799)	4,449,146
Increase (decrease) in bank overdrafts and other short-term debt	919,929	(256,539)	688,747
Decrease (increase) in marketable securities	(50,227)	–	1,211,659
Increase (decrease) in translation adjustments	782	(420)	804
Cash flows from (used in) financing activities	**(83,998)**	**(289,352)**	**6,082,760**
Increase (decrease) in cash and cash equivalents	**44,398**	**(2,456,930)**	**180,456**
Cash and cash equivalents at beginning of year	11,485	2,468,415	2,287,959
Cash and cash equivalents at end of year[1]	55,883	11,485	2,468,415
Analysis of cash and cash equivalents at December 31			
Cash at bank	55,880	11,477	186,584
Cash on hand	3	8	12
Cash advances to subsidiaries[1]	–	–	2,281,819
Total	55,883	11,485	2,468,415

(1) Since December 31, 2006, subsidiaries' current accounts in debit have been included in other receivables. These items were previously reported in cash and cash equivalents. At December 31, 2006, current accounts reclassified to other receivables totaled €2,625,046 thousand.

Notes to the parent company financial statements

The financial statements cover the twelve-month period from January 1 to December 31, 2007.

The following notes form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on March 20, 2008.

NOTE 1

Accounting principles and methods

The financial statements of Compagnie de Saint-Gobain have been drawn up in accordance with the accounting principles set out in the 1999 French Chart of Accounts.
The financial statements of the German branch are included in those of Compagnie de Saint-Gobain's head office.

Intangible assets

Assigned goodwill not covered by any form of legal protection is amortized over 25 years. Other intangible assets are amortized over periods of between three and five years.

Property and equipment

Property and equipment are stated at cost (purchase price plus related costs), except for assets acquired prior to December 31, 1976 which have been revalued.
Depreciation is based on the estimated useful life of assets using the straight-line or declining-balance method. The most commonly used useful lives are as follows:

Buildings	40 to 50 years	Straight-line
Improvements and additions	12 years	Straight-line
Installations and fittings	5 to 12 years	Straight-line
Office furniture	10 years	Straight-line
Office equipment	5 years	Straight-line
Vehicles	4 years	Straight-line
Computer equipment	3 years	Straight-line or declining-balance

Financial investments, investments in subsidiaries and affiliates and other investment securities

On initial recognition, investments in subsidiaries and affiliates are carried at cost excluding any incidental expenses. These investments are subsequently measured at fair value, which is assessed on a regular basis and whenever an inventory is taken. Fair value is estimated based on various criteria including the share of statutory equity and the share of consolidated net book assets they represent. Specific procedures may be performed on a case-by-case basis to calculate the net present value of post-tax future cash flows excluding interest based on a business plan (or long-term forecasts). When the fair value of the investments falls below their cost (net book value), a provision is set aside for impairment. No unrealized capital gains are recorded if fair value exceeds cost. Unrealized capital gains and losses are not offset.
At December 31 2007, own shares held by Compagnie de Saint-Gobain in connection with stock option plans are classified as "Other investment securities" in the balance sheet. They are carried at the lower of cost, market price or the exercise price of the options granted to employees when the exercise of the options is probable.

Receivables

Receivables are carried at their nominal value. A provision for impairment in value is recorded when their fair value falls below net book value.

Marketable securities

Marketable securities mainly include units in money-market funds (SICAV) recorded at the lower of cost and market value.

Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the transaction date. Other receivables, payables and bank balances in foreign currencies, as well as the instruments used to hedge them, are converted at the year-end rate and the related exchange differences are recorded in the balance sheet under "Translation adjustments". Provisions are booked for exceptional unrealized exchange losses which are not hedged. Unrealized foreign exchange gains on receivables denominated in Brazilian real (BRL) are included under translation adjustments in liabilities and are therefore not included in income for the period.

Financial instruments

Compagnie de Saint-Gobain manages, mainly on behalf of its subsidiaries, the hedging of foreign exchange, interest rate, and commodity (fuel oil, gas) price risks resulting from the Group's international activities.

Liquidity risk is also managed by Compagnie de Saint-Gobain but is not material.

The main financial instruments used to hedge foreign exchange risks are forward purchase and sale contracts and options. The related hedged receivables and payables are recorded in the balance sheet at the hedging rate.

The portion representing the extrinsic (time) value of unrealized gains or losses on currency options used to hedge the above positions is taken to income, and the portion representing intrinsic value is recorded in the balance sheet. Unrealized losses on options which are not classified as hedges for accounting purposes are recognized in the income statement, whereas unrealized gains are not taken into account.

At December 31, 2007, Compagnie de Saint-Gobain had no outstanding currency options.

The Company uses interest rate swaps and swaptions (caps and floors) as well as forward rate agreements to hedge its exposure to fluctuations in interest rates.

Financial income and expenses related to interest rate swaps are recognized on a symmetrical basis with the income and expenses on the hedged items.

The portion representing the extrinsic (time) value of unrealized gains or losses on interest rate options used to hedge the above positions is taken to income and the portion representing intrinsic value is recorded in the balance sheet. Interest rate options which are not classified as hedges for accounting purposes are recognized in the income statement at market value.

To cover subsidiaries' commodity price risk, Compagnie de Saint-Gobain uses mainly commodity swaps (fuel oil and gas). Financial income and expenses related to commodity swaps are recognized on a symmetrical basis with the income and expenses on the hedged items.

Consolidated tax agreements

Compagnie de Saint-Gobain was previously assessed for income tax on its consolidated taxable income as provided for under Article 209 *quinquies* of the French Tax Code. The last period covered by the agreement was 2004-2006. Compagnie de Saint-Gobain did not renew the agreement for the accounting period starting January 1, 2007.

Accordingly, the integrated tax regime provided for under Articles 223 A *et seq.* of the French Tax Code will be the only regime in force as from said date.

A provision for potential tax liabilities is booked for the income tax benefit to be transferred by Compagnie de Saint-Gobain to loss-making subsidiaries in the tax group when the subsidiaries concerned return to profit. Movements in this provision are recorded under exceptional items.

The agreements between Compagnie de Saint-Gobain and its subsidiaries under the integrated tax regime do not require the transfer of tax benefits (via a cash payment) to subsidiaries when they return to profit or if they should leave the tax group. Compagnie de Saint-Gobain has not transferred any tax benefit under its integrated tax regime to its subsidiaries in the past.

NOTE 2

Net financial income

The €200.8 million rise in net financial income reflects:

- a €91.4 million increase in income from investments in subsidiaries and affiliates;
- a €56.6 million rise in income from loans and investments, net of interest expense;
- a €8.7 million fall in net foreign exchange gains (after the impact of provisions);
- a €53.6 million rise in write-backs (net of additions) of depreciation, amortization and provisions for financial items, including €47.8 million relating to write-backs of provisions for impairment and provisions for contingencies and charges relating to treasury stock);
- a €7.9 million increase in net income from sales of marketable securities.

NOTE 3

Exceptional items

The Company reported a net exceptional loss of €59.5 million, reflecting mainly:

- a €39.9 million capital loss on the sale of treasury shares in connection with stock option plans. The capital loss was covered by a write-back from the provision for impairment of securities recognized in financial income and expense;
- €6.8 million in additions (net of write-backs) to provisions for taxes;
- the recognition of €4.8 million in expenses on the sale of investments in subsidiaries and affiliates;
- the recognition of €3.9 million in expenses relating to total commitments made by Compagnie de Saint-Gobain (the founding company) to the Cournot Center for Economic Research for the years 2008 to 2010.

NOTE 4

Income tax

The net tax benefit amounted to €260.3 million for 2007.

- The tax benefit for 2007 under the French integrated tax regime was estimated at €220 million.
- The remaining tax benefit attributable to Compagnie de Saint-Gobain for 2006 under the consolidated tax regime amounted to €29.4 million.
- Tax assessments resulted in a net expense of €6.2 million.
- The tax benefit of the Company's German branch came to €14.8 million under the integrated tax system (Organschaft).
- A tax credit of €2.3 million was recognized on the commitments made by Compagnie de Saint-Gobain to the Cournot Research Center for an amount of €3.9 million (see Note 3).

NOTE 5

Intangible assets

(in € thousands)	Non-current assets: Gross at beginning of year	Non-current assets: Increase	Non-current assets: Decrease	Non-current assets: Gross at end of year	Amortization: Accumulated at beginning of year	Amortization: Increase	Amortization: Decrease	Amortization: Accumulated at end of year
Goodwill	567	–	–	567	522	23	–	545
Other intangible assets	49,258	5,056	(11,403)	42,911	38,413	4,285	(11,396)	31,302
Greenhouse gas emissions allowances	–	1,454	(1,454)	–	–	–	–	–
In progress	4,380	(3,227)	–	1,153	–	–	–	–
	54,205	**3,283**	**(12,857)**	**44,631**	**38,935**	**4,308**	**(11,396)**	**31,847**

An inventory was taken of the Company's intangible assets during the year.
"Other intangible assets" includes mainly software amortized over periods of three to five years.
The negative amount shown on the "In progress" line under "Increase" relates to investments made in 2007 less amounts reclassified to fixed asset accounts once the corresponding assets had been brought into service.

NOTE 6

Property and equipment

(in € thousands)	Non-current assets: Gross at beginning of year	Non-current assets: Increase	Non-current assets: Decrease	Non-current assets: Gross at end of year	Depreciation: Accumulated at beginning of year	Depreciation: Increase	Depreciation: Decrease	Depreciation: Accumulated at end of year
Land	620	–	–	620	–	–	–	–
Buildings	487	12,390	(94)	12,783	276	162	(94)	344
Other	10,200	236	(3,268)	7,168	8,083	422	(3,193)	5,312
In progress	10,424	(7,025)	(661)	2,738	–	–	–	–
Prepayments	2	57	(2)	57	–	–	–	–
	21,733	**5,658**	**(4,025)**	**23,366**	**8,359**	**584**	**(3,287)**	**5,656**

An inventory was taken of the Company's property and equipment during the year.
The increase in buildings is due to the new air conditioning system fitted at the Company's head office (Les Miroirs).
The negative amount shown on the "In progress" line under "Increase" relates to investments made in 2007 less amounts reclassified to fixed asset accounts once the corresponding assets had been brought into service.

NOTE 7

Financial investments

Financial investments

(in € thousands)	Non-current assets			
	Gross at beginning of year	Increase	Decrease	Gross at end of year
Investments in subsidiaries and affiliates	7,720,610	402,821	(2,801)	8,120,630
Investment-related receivables	11,439,395	10,188,815	(9,904,004)	11,724,206
Other investment securities	318,072	–	(118,390)	199,682
Loans	639,158	1,600,050	(1,337,203)	902,005
Other financial investments	604	345	(365)	584
	20,117,839	12,192,031	(11,362,763)	20,947,107

Changes in investments in subsidiaries and affiliates

(in € thousands)	Increase	Decrease
Subscription to Saint-Gobain Benelux capital increase	400,000	–
Subscription to Saint-Gobain Campus capital increase	2,808	–
Purchase of SG Isover G+H shares (German branch)	13	–
Liquidation of Finameta	–	2,801
Total	**402,821**	**2,801**

Analysis of loans, receivables and other financial investments by maturity

(in € thousands)	Gross	Maturity	
		Within one year	More than one year
Investment-related receivables	11,724,206	1,808,276	9,915,930
Loans	902,005	901,795	210
Other	584	–	584
Total	**12,626,795**	**2,710,071**	**9,916,724**

Changes in other investment securities

(in € thousands)	Increase	Decrease
Sales of treasury shares	–	118,317
Other sales of shares	–	73
Total	**–**	**118,390**

Changes in treasury stock

	Number of shares held	Gross (in € thousands)	Net (in € thousands)
At December 31, 2004	**5,860,410**	**247,052**	**221,469**
Acquisitions in 2005	4,423,117	209,563	209,563
Disposals in 2005	(1,900,366)	(83,758)	(63,733)
Cancellations in 2005	–	–	–
Adjustments to provision for impairment in value	–	–	(61,650)
At December 31, 2005	**8,383,161**	**372,857**	**305,649**
Acquisitions in 2006	1,976,708	109,449	109,449
Disposals in 2006	(3,620,201)	(164,632)	(125,582)
Cancellations in 2006	–	–	–
Adjustments to provision for impairment in value	–	–	(62,937)
At December 31, 2006	**6,739,668**	**317,674**	**226,579**
Acquisitions in 2007	–	–	–
Disposals in 2007	(2,460,265)	(118,317)	(78,368)
Cancellations in 2007	–	–	–
Adjustments to provision for impairment in value	–	–	–
At December 31, 2007	**4,279,403**	**199,357**	**148,211**

The shares shown in the table above are held in connection with stock option plans.
Compagnie de Saint-Gobain also owns 96,566 treasury shares in connection with a liquidity agreement (see Note 8 "Marketable securities"), which brings the total number of own shares held to 4,375,969 at December 31, 2007.

NOTE 8

Current assets

At December 31, 2006, subsidiaries' current accounts in debit were reclassified to other receivables. They were previously reported in cash and cash equivalents for €2,281,819 thousand at December 31, 2005.

Maturity of current receivables

(in € thousands)	Gross	Maturity	
		Within one year	More than one year
Other receivables	2,525,316	2,522,642	2,674
Prepayments	2,219	1,727	492
Total	**2,527,535**	**2,524,369**	**3,166**
Provision for doubtful receivables	(254)	(254)	–

Analysis of "Other receivables"

(in € thousands)	Dec. 31, **2007**	Dec. 31, **2006**	Dec. 31, **2005**
Current accounts held with subsidiaries	2,358,868	2,625,046	
Accounts receivable - Group	29,305	32,133	28,753
Income tax	103,329	14,260	47,166
Withholding tax	177	167	192
Dividends receivable - Group	27,239	10,361	8,153
Other	6,398	6,434	10,475
Total	**2,525,316**	**2,688,401**	**94,739**

Marketable securities

On November 16, 2007, the Company entered into a liquidity agreement with Exane BNP Paribas. This agreement complies with the Code of Ethics adopted by the French Association of Investment Firms (AFEI) recognized by the *Autorité des Marchés Financiers* (AMF). The agreement is valid from December 3, 2007 through December 31, 2007, and may be automatically renewed.
The Company held the following instruments under this agreement at December 31, 2007:
- money-market funds for a net amount of €43,872 thousand;
- 96,566 treasury shares for a net amount of €6,228 thousand based on the closing price at the year-end.

NOTE 9

Shareholders' equity

9.1 Changes in capital stock

Movements in capital stock

Par value at December 31, 2006: €4 Par value at December 31, 2007: €4	Number of shares	Amount (in € thousands)
Capital stock at beginning of year	368,419,723	1,473,679
Shares issued under the Group Savings Plan	4,981,609	19,926
Shares issued in connection with the exercise of stock options	730,420	2,922
Conversion of Océane bonds	84,400	338
Capital stock at year-end	**374,216,152**	**1,496,865**

At December 31, 2007, capital stock amounted to €1,496,865 thousand, breaking down as **374,216,152 shares** with a par value of €4 each.
At the Ordinary and Extraordinary Shareholders' Meeting of June 7, 2007, shareholders authorized the Board of Directors of Compagnie de Saint-Gobain to:
- issue, on one or several occasions, up to 147.5 million new shares with or without pre-emptive or priority subscription rights for existing shareholders (twelfth, thirteenth, fourteenth and fifteenth resolutions);
- issue, on one or several occasions, 18.5 million new shares to members of the Group Savings Plan (sixteenth resolution);
- grant stock purchase or subscription options for up to 3% of the share capital at the date of the Shareholders' Meeting (representing 11,214,726 options), exercisable for the same number of shares (seventeenth resolution). This figure includes the free shares that may be granted under the eighteenth resolution, representing 1% of the share capital at the date of the Shareholders' Meeting (3,738,242 free shares).

If the Board of Directors issued all of the shares and stock options authorized under the above-mentioned resolutions, as well as the stock options available for grant under previous plans, the number of shares making up the Company's capital stock would rise to 565,551,958.
The Board of Directors used these authorizations in part to grant 3,673,000 stock options on November 22, 2007.
Pursuant to the authorization granted by the Ordinary and Extraordinary Shareholders' Meeting of June 7, 2007, Compagnie de Saint-Gobain's Board of Directors may issue equity warrants in the event of a public offer for the Company's shares, in accordance with the French law of March 31, 2006 on public share offers (twentieth resolution).
Under these authorizations, the Group may issue shares up to a total nominal amount of €368 million, representing 92 million shares.

9.2 Statement of changes in equity

(in € thousands)	Amount
Shareholders' equity before apporpriation of net income for 2006	**9,897,790**
Payment in 2007 of the dividend relating to 2006	(621,062)
Shares issued to employees under the Group Savings Plan	293,771
Shares issued to employees issue in connection with the exercise of stock options	27,159
Shares issued upon conversion of Océane bonds	4,431
Other changes - revaluation reserve and untaxed provisions	(710)
Shares issued upon conversion of Océane bonds	871,150
Shareholders' equity before appropriation of net income for 2007	**10,472,529**

In 2007, **capital stock** increased by €23,186 thousand, the **legal reserve** by €2,319 thousand, and the **share issue premium** by €299,858 thousand as a result of subscriptions to (i) 4,981,609 shares under the Group Savings Plan; (ii) 730,420 shares under stock option plans; and (iii) 84,400 shares in connection with the conversion of Océane bonds.

The following changes were recorded in **retained earnings** during the year (in € thousands):
- Balance at December 31, 2006 1,278,081

Changes resulting from the third resolution of the AGM of June 7, 2007 (income appropriation):
- Net income for 2006 849,187
- Final dividend taking into account the actual number of treasury shares held (621,062)
- Balance at December 31, 2007 1,506,206

9.3 Stock purchase and stock subscription plans

Compagnie de Saint-Gobain has stock option plans available to certain employees, and a Group Savings Plan (“PEG”), or employee stock purchase plan.

Under the stock option plans, the Board of Directors may grant options which entitle the holder to purchase Saint-Gobain shares at a price based on the average share price for the 20 trading days preceding the grant date. Since 1999, no discounts on the average price have been granted under these plans. In certain cases, stock options are awarded based on a series of performance conditions.

Options vest over a period of three or four years, with full vesting occurring at the end of the vesting period. Options must be exercised within ten years of the date of grant. All rights to options are forfeited if the employee terminates employment with the Group, unless expressly agreed otherwise by the Chairman of Compagnie de Saint-Gobain together with the Appointments Committee of the Board of Directors.

From 1999 to 2002, these plans involved purchase options on existing shares. Since 2003, the plans have involved subscription options for new shares.

Movements relating to stock options outstanding in 2005, 2006 and 2007 are summarized below:

	€4 par value shares	Average exercise price (in €)
Options outstanding at December 31, 2004	**19,829,035**	**36.12**
Options granted	3,922,250	45.71
Options exercised	(1,901,166)	33.54
Options forfeited	(112,000)	39.25
Options outstanding at December 31, 2005	**21,738,119**	**38.06**
Options granted	4,025,800	58.08
Options exercised	(3,974,551)	34.79
Options forfeited	(241,400)	40.26
Options outstanding at December 31, 2006	**21,547,968**	**42.38**
Options granted	3,673,000	71.56
Options exercised	(3,178,885)	33.04
Options forfeited	(50,000)	58.10
Options outstanding at December 31, 2007	**21,992,083**	**48.56**

At December 31, 2007, 8,513,233 options were exercisable at an average exercise price of €36.68.

The following table summarizes information about stock options outstanding at December 31, 2007:

Grant date	Options exercisable			Options not exercisable		Total options outstanding	Type of options
	Exercice price (in €)	Number of options	Weighted average remaining contractual life in months	Exercise price (in €)	Number of options	Number of options	
1999	40.63	329,924	23	–	–	329,924	Purchase
2000	37.72	885,560	35	–	–	885,560	Purchase
2001	40.22	1,726,804	47	–	–	1,726,804	Purchase
2002	23.53	1,255,715	59	–	–	1,255,715	Purchase
2003	35.67	2,725,980	71	–	–	2,725,980	Subscription
2004	43.56	1,589,250	83	43.56	2,073,200	3,662,450	Subscription
2005	45.71	–	95	45.71	3,758,050	3,758,050	Subscription
2006	58.08	–	107	58.08	3,974,600	3,974,600	Subscription
2007	71.56	–	119	71.56	3,673,000	3,673,000	Subscription
Total	**–**	**8,513,233**	**–**	**–**	**13,478,850**	**21,992,083**	**–**

Further to the four-for-one stock split of June 27, 2002, the number of options for 1999 to 2001 has been multiplied by four in order to permit meaningful year-on-year comparisons.

9.4 Compagnie de Saint-Gobain Group Savings Plan (PEG)

The PEG employee stock purchase plan is open to all Group employees in France and in most other countries where the Group does business, provided that they have completed a minimum of three months' service with the Group. The Board of Directors delegates authority for setting the exercise price to the Chief Executive Officer of Compagnie de Saint-Gobain. The exercise price corresponds to the average opening share price over the 20 trading days preceding the date on which the price is set. The standard formula offers employees a 20% discount on the average share price. The leveraged formula launched in 2007 offers a 15% discount.

Participating employees may subscribe for a term of five or ten years under the standard formula and for five years under the leveraged formula. Over this period, employees may not sell their shares, barring exceptional circumstances.

In 2007, 4,981,609 shares with a par value of €4 were issued to employees under the Group Savings Plan (2006: 5,399,291; 2005: 4,267,470), at an average price per share of €59.10 (2006: €40.84; 2005: €36.48).

NOTE 10

Other equity

Participating securities

In the 1980s, Compagnie de Saint-Gobain issued 1,288,299 non-voting participating securities indexed to average bond rates (TMO) and 194,633 non-voting participating securities indexed to the Euribor (minimum). These securities are not redeemable and the interest paid on them is included in financial expense.

Some of these securities have since been repurchased in the market. At December 31, 2007, there were 606,883 TMO-indexed securities and 77,516 Euribor-indexed securities outstanding, representing an aggregate face value of €170 million.

The interest paid on the 606,883 TMO-indexed securities consists of a fixed portion and a variable portion based on the Group's earnings, subject to a cap of 125% of average bond yields. Interest paid on the 77,516 securities indexed to a minimum of Euribor comprises (i) a fixed portion of 7.5% per year applicable to 60% of the security, and (ii) a variable portion applicable to the remaining 40% of the security, which is linked to consolidated net income of the previous year, subject to the cap specified in the issue agreement.

Net interest paid on participating securities for 2007 came to €10.5 million, compared to €9.9 million in 2006.

NOTE 11

Provisions

(in € thousands)	Opening balance	Additions	Writebacks of utilized provisions	Writebacks of surplus provisions	Other (transfers)	Closing balance
Untaxed provisions						
Reinvested capital gains	6,427					6,427
Other	12					12
	6,439	**–**	**–**	**–**	**–**	**6,439**
Provisions for contingencies						
Tax liabilities	78,238	68,323	(55,000)	(6,563)	1,223	86,221
Stock options	–					–
Other	1,604	1,046	(283)	(48)	(214)	2,105
	79,842	**69,369**	**(55,283)**	**(6,611)**	**1,009**	**88,326**
Provisions for charges						
Pensions and other post-employment benefit obligations	55,964	12,144	(7,713)		1,481	61,876
Other	278	53	(14)			317
	56,242	**12,197**	**(7,727)**	**–**	**1,481**	**62,193**
Provisions for impairment in value						
On investments in subsidiaries and affiliates	1,864	8	(1,233)			639
On other investment securities	91,158		(39,949)			51,209
On doubtful receivables		254				254
On marketable securities		127				127
	93,022	**389**	**(41,182)**	**–**	**–**	**52,229**
Impact on net operating income		**12,436**	**(7,727)**			
Impact on net financial income		**174**	**(41,465)**			
Impact on exceptional items		**69,345**	**(55,000)**	**(6,611)**		

In accordance with CNC Recommendation 03-R01, Compagnie de Saint-Gobain recognized the full amount of its pension and other post-employment benefit obligations for the first time in 2006. The effect of this change in accounting policy on opening shareholders' equity at January 1, 2006 was €63,659 thousand, and the positive effect on income for that year was €13,241 thousand, resulting in an additional obligation of €50,418 thousand at December 31, 2006. In light of the existing provision for €5,546 thousand, the total balance sheet provision amounted to €55,964 thousand at December 31, 2006. As this provision is not tax deductible, there is no tax effect.

The Group's obligations with respect to pensions and other post-employment benefits are measured using the projected unit credit method based on end-of-career salaries and the rights vested at the measurement date.

The full amount of any actuarial gains and losses arising in the year in relation to defined benefit plans are recognized immediately in the income statement. This treatment replaces the "corridor" method and is designed to enhance the information provided to users of financial statements. As actuarial gains and losses are recorded in the period in which they arise, the provision recorded in liabilities approximates the present value of the post-employment benefit obligation.

The discount rate used was 5.50% in 2007 versus 4.75% in 2006.

NOTE 12

Debt and payables

Total debt and payables increased by a net amount of €207 million to €12,789 million at December 31, 2007, mainly reflecting a €258 million increase in debt, a €30 million decrease in taxes and social charges payable, and a €21 million decrease in other payables.

Maturities of debt and payables

(in € thousands)	Gross	Maturity	
		Less than one year	More than one year
Bonds [1]	5,680,066	129,383	5,550,683
Bank borrowings [1] [2]	201,747	46,747	155,000
Other short- and long-term debt [1] [3]	6,807,481	3,925,847	2,881,634
Sub-total	**12,689,294**	**4,101,977**	**8,587,317**
Tax and social charges payable	57,769	57,769	–
Other payables [3]	42,012	20,354	21,658
Deferred income	–	–	–
Total debt and payables [4]	**12,789,075**	**4,180,100**	**8,608,975**

(1) Issued during the year	4,508,436
Repaid during the year	4,249,777
(2) Of which:	
- two years or less at inception	31,747
- more than two years at inception	170,000
(3) Of which due to partners	NIL
(4) Of which debt due in over 5 years	3,434,564

Long- and short-term debt

(in € thousands)	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Long- and short-term debt			
Long-term portion of debt			
Due between January 1 and December 31			
- 2007	–	–	1,606,332
- 2008	–	598,401	2,672,119
- 2009	1,374,575	986,250	986,250
- 2010	1,427,964	4,426,793	4,277,219
- 2011	1,100,000	1,100,000	477,346
- 2012 and beyond	4,650,510	2,070,869	
Unspecified	34,054	34,120	34,185
Total long-term portion of debt	**8,587,103**	**9,216,433**	**10,053,451**
Current portion of long-term debt	**811,777**	**843,719**	**719,500**
TOTAL LONG-TERM DEBT (INCLUDING CURRENT PORTION)	**9,398,880**	**10,060,152**	**10,772,951**
Other short-term debt			
Billets de Trésorerie (EUR)	–	100,000	242,000
Billets de Trésorerie (USD)	–	–	–
Euro Commercial Paper (EUR)	–	45,000	540,000
Euro Commercial Paper (GBP)	–	–	–
Euro Commercial Paper (USD)	–	–	–
US Commercial Paper (USD)	–	75,930	–
Borrowings from Group entities	3,249,253	1,866,891	1,521,458
Bank overdrafts and other short-term borrowings	29,388	273,498	314,389
Other	11,774	9,164	9,175
TOTAL OTHER SHORT-TERM DEBT	**3,290,415**	**2,370,483**	**2,627,022**
TOTAL LONG- AND SHORT-TERM DEBT	**12,689,295**	**12,430,635**	**13,399,973**

Long- and short-term debt can be analyzed as follows by currency:

(in € thousands)	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Euro	8,329,562	8,468,068	6,825,848
US dollars	–	426,850	1,010,007
Pounds sterling	1,031,580	1,128,673	2,902,365
Czech koruna	37,738	36,561	34,731
Norwegian krone	–	–	–
Total	**9,398,880**	**10,060,152**	**10,772,951**

12.1 Océane bonds

On February 18, 2002, Compagnie de Saint-Gobain issued 4,380,953 Océane bonds convertible into new and/or existing shares. These bonds have a face value of €210 each, and the total issue came to €920 million. The annual interest rate on these Océane bonds is 2.625%, payable in arrears on January 1 each year.

Under the related agreements, the bonds could be redeemed in full on January 1, 2007 in cash at face value, i.e. €210 per bond, or they could be repurchased before maturity by Compagnie de Saint-Gobain on the market or in connection with a public buyback offer. The Company could also decide to redeem all outstanding Océane bonds ahead of term, subject to certain conditions including share price thresholds.

Bondholders were entitled to convert and/or exchange each of their bonds for four Compagnie de Saint-Gobain shares up to December 20, 2006.

In this respect, 4,355,403 bonds were converted, leading to the creation of 17,421,612 new shares. The share issue that was carried out on December 31, 2006 resulted in an increase of €914.6 million in shareholders' equity.

Following this share issue, an additional request to convert 21,100 bonds was submitted within the specified period. This led to the creation of 84,400 new shares in 2007. These shares were taken into account in the share issue of May 15, 2007, and increased shareholders' equity by a further €4.4 million.

In total, 4,450 bonds were redeemed, representing an amount of €0.9 million.

12.2 Perpetual bonds

Bonds also include the €125 million worth of perpetual bonds – 25,000 bonds with a face value of €5,000 – issued in 1985, paying interest at a variable rate indexed to Libor. These securities are not redeemable and the interest paid on them is included in financial expense.
At December 31, 2007, 18,496 perpetual bonds had been bought back and canceled. At the year-end, 6,504 perpetual bonds were outstanding, representing a total face value of €33 million.

12.3 Main changes in long- and short-term debt in 2007

On January 29, 2007, Compagnie de Saint-Gobain reimbursed four bank loans that had reached maturity, for a total of €137 million. It also took out a new loan for €155 million maturing on January 29, 2013.

On April 11, 2007, Compagnie de Saint-Gobain issued €2.5 billion worth of bonds in two €1.25 billion tranches maturing on April 11, 2012, and April 11, 2017, respectively.

During the year, Compagnie de Saint-Gobain reimbursed the full amount of its acquisition-related bank borrowings on the five-year tranche (€3 billion).

It also reimbursed two bank loans totaling €85.7 million and USD 50 million in Medium Term Notes which had reached maturity.

12.4 Financing programs

Compagnie de Saint-Gobain has a number of programs available for medium- and long-term financing (Medium Term Notes) and short-term financing (Commercial Paper and *Billets de Trésorerie*).

At December 31, 2007, these programs were as follows:

Programs (in millions of currency)	Currency	Drawdown period	Authorized ceiling at Dec. 31, 2007	Drawdown at Dec. 31, 2007	Drawdown at Dec. 31, 2006	Drawdown at Dec. 31, 2005
Medium Term Notes	EUR	1 to 30 years	10,000	3,356	968	85
US commercial paper	USD	up to 12 months	1,000 *	–	100	–
Euro commercial paper	USD	up to 12 months	1,000 *	–	–	–
Billets de Trésorerie	EUR	up to 12 months	3,000	–	145	782

* Equivalent to €679 million based on the exchange rate at December 31, 2007.

The authorized ceiling on the Medium Term Notes programs was raised to €10 billion on December 14, 2007.

The November 2006 and April 2007 bond issues (for GBP 600 million and €2,500 million respectively) were carried out within the scope of the MTN program.

In accordance with market practices, *Billets de Trésorerie,* Euro Commercial Paper and US Commercial Paper are generally issued for a term of one to six months.

Compagnie de Saint-Gobain's US Commercial Paper, Euro Commercial Paper and *Billets de Trésorerie* programs are backed by confirmed syndicated lines of credit totaling €2 billion expiring in November 2011, as well as seven bilateral credit lines totaling €680 million at December 31, 2007.

The main covenants that would, if violated, result in these facilities becoming immediately repayable or being withdrawn, are as follows:

- Failure to comply with either of the following ratios (assessed annually on a consolidated basis):
– Ratio of net debt to operating income excluding depreciation and amortization of property and equipment and intangible assets below 3.75.
– Interest cover ratio (pre-tax profit over net interest expense) above 3.
This covenant concerns three bilateral lines representing €290 million.
- No drawdowns were made against any of these facilities in 2007.

The Saint-Gobain Group obtained a further €9 billion syndicated line of credit in 2005 to finance the acquisition of the BPB group and refinance certain debts carried by the BPB and Saint-Gobain groups. This line is composed of three tranches: a three-year loan, a five-year loan, and a five-year revolving credit. At December 31, 2007, the three- and five-year loans had been repaid in full. The portion of the revolving facility granted for general corporate purposes maturing in August 2010 has not been drawn and an amount of €500 million therefore remains available.

The main early-repayment scenarios for this €9 billion syndicated credit facility are as follows:

- Failure to comply with either of the following ratios (assessed every six months on a consolidated basis):
– Ratio of net debt to operating income excluding depreciation and amortization of property and equipment and intangible assets below 3.75.
– Interest cover ratio (operating income excluding amortization of intangible assets over net interest expense) of above 3.5.
- Default on bank borrowings in excess of €40 million.

Saint-Gobain complied with all of these covenants at December 31, 2007.

The Group also took out a €2.125 billion syndicated credit facility during the year in order to finance its acquisition of the Maxit group. The facility includes a one-year tranche that may be renewed for a further year. No drawdowns had been made against the facility at December 31, 2007.

The aggregate commitment fees for all of these facilities totaled €2.6 million in 2007 (2006: €4.6 million).

NOTE 13

Information concerning related companies and investments

(in € thousands)	Net amount concerning			Net amount in the balance sheet
	Related companies	Companies in which Compagnie de Saint-Gobain has a direct holding	Other companies	
BALANCE SHEET				
Investments in subsdiaries and affiliates	8,119,733	258	–	8,119,991
Investment-related receivables	11,723,775	–	431	11,724,206
Other investment securities	148,212	–	262	148,474
Loans	824,065	–	77,940	902,005
Other receivables	2,417,529	44	107,743	2,525,316
Marketable securities	6,228	–	43,872	50,100
Cash and cash equivalents	–	–	55,883	55,883
Bonds	–	–	5,680,066	5,680,066
Bank borrowings	–	–	201,747	201,747
Other borrowings	6,760,852	–	46,629	6,807,481
Other payables	14,826	–	27,186	42,012
INCOME STATEMENT				
Income from investments in subsidiaries and affiliates	548,913	(172)	33	548,774
Income from loans and other investments	690,379	–	55	690,434
Other interest income	16,692	–	70,223	86,915
Interest expense	272,329	341	430,010	702,680

NOTE 14

Investment portfolio

(in € thousands)	Country	Net book value	% interest	Number of shares
Spafi	France	2,726,540	100.00	116,289,805
Partidis	France	2,065,919	100.00	78,262,892
Saint-Gobain Matériaux de Construction	France	738,712	100.00	21,325,936
Vertec	France	491,039	100.00	8,008,999
Saint-Gobain Benelux	Belgium	400,344	100.00	1,624,587
Saint-Gobain Cristaleria	Spain	211,220	23.91	3,659,866
Raab Karcher GmbH	Germany	194,609	100.00	100,000,000
Saint-Gobain Glass Benelux SA	Belgium	160,880	88.69	1,667,698
Saint-Gobain Isover G+H AG	Germany	153,789	99.91	3,200,000
Saint-Gobain Vetrotex Deutschland GmbH	Germany	153,669	100.00	45,000,000
International Saint-Gobain	Switzerland	153,409	96.50	221,950
Cie de Saint-Gobain (treasury shares)	France	148,212	1.15	4,279,403
Saint-Gobain Vidros SA	Brazil	118,068	54.46	115,072,390
São Lourenço	Brazil	109,559	99.91	3,617,581
Saint-Gobain Glass Deutschland GmbH	Germany	86,660	60.00	120,000,000
Saint-Gobain Autoglas GmbH	Germany	72,833	60.00	120,000,000
Saint-Gobain Emballage	France	61,553	20.52	331,964
Saint-Gobain Schleifmittel-Beteiligungen GmbH	Germany	61,151	100.00	20,000,000
SEPR	France	53,310	25.73	407,600
Saint-Gobain SFM	France	45,735	100.00	3,000,000
Saint-Gobain PAM	France	30,732	8.10	360,255
Saint-Gobain Nederland	Netherlands	13,621	100.00	66,100
Valfix Finanz A.G.	Switzerland	8,838	100.00	11,400
SCI Ile de France	France	3,428	–	–
SCI Campus	France	2,808	–	–
Various French companies		732	–	–
Various non-French companies		1,094	–	–
		8,268,464		
Analysis				
Investments in subsidiaries and affiliates		8,119,991		
Other investment securities		148,473		
		8,268,464		

NOTE 15

Information on direct holdings of the parent company whose book value exceeds 1% of capital

COMPANIES (in thousands of euros or other currency)	Capital stock	Reserves	% interest	Book value of shares held Gross EUR	Net EUR	Loans and advances granted by the Company EUR	Guarantees given by the Company EUR	2007 net sales	2007 net income/ (loss)	Dividends received in 2007 EUR
1 - SUBSIDIARIES										(1)
50% or more of capital held by Compagnie de Saint-Gobain										
Spafi										
18, avenue d'Alsace	EUR	EUR						EUR	EUR	
F-92400 Courbevoie	1,860,637	1,450,632	100.00	2,726,540	2,726,540			1,142	(193,984)	59,308
Partidis										
18, avenue d'Alsace	EUR	EUR						EUR	EUR	
F-92400 Courbevoie	1,193,509	580,425	100.00	2,065,919	2,065,919	1,556,546		15,806	287,284	100,177
S.G. Matériaux de Construction										
18, avenue d'Alsace	EUR	EUR						EUR	EUR	
F-92400 Courbevoie	325,201	(122,932)	100.00	738,712	738,712	5,692,868		15,621	39,578	–
Vertec										
18, avenue d'Alsace	EUR	EUR						EUR	EUR	
F-92400 Courbevoie	128,144	334,053	100.00	491,039	491,039			–	509,539	220,248
S. G. Benelux	EUR	EUR						EUR	EUR	
Boulevard de la Plaine 5	400,345	736	100.00	400,344	400,344				3,198	179
B-1050 Brussels										
Raab Karcher Baustoffe GmbH										
Hanauer Landstrasse, 150	EUR	EUR						EUR	EUR	
D-60314 Frankfurt am Main	100,000	94,600	100.00	194,609	194,609			1,288,947	(3,785)	(3,785)
S. G. Glass Benelux SA										
Rue des Glaces Nationales, 169	EUR	EUR						EUR	EUR	
B-5060 Sambreville	70,900	89,541	88.69	160,880	160,880			159,858	1,131	
S. G. Isover G+H AG										
1 Burgermeister-Grünzweig Strasse	EUR	EUR						EUR	EUR	
D-67059 Ludwigshafen	82,000	11,291	99.91	153,789	153,789			370,111	70,830	70,830
S. G. Vetrotex Deutschland GmbH										
Bicheroux Strasse 61	EUR	EUR						EUR	EUR	
D-52134 Herzogenrath	23,008	132,936	100.00	153,669	153,669			33,589	(18,413)	(18,413)
International Saint-Gobain										
10, rue Saint-Pierre	CHF	CHF						CHF	CHF	
CH-1700 Fribourg	230,000	112,825	96.50	153,409	153,409			–	312,838	81,943
S.G. Vidros SA										
482, avenida Santa Marina Agua Branca	BRL	BRL						BRL	BRL	
05036-903 São Paulo-SP (Brazil)	420,000	612,846	54.46	118,068	118,068			1,105,053	232,035	39,383
São Lourenço Administradora										
482, avenida Santa Marina Agua Branca	BRL	BRL						BRL	BRL	
05036-903 São Paulo-SP (Brazil)	175,654	185,321	99.91	109,559	109,559			–	102,052	31,373
S. G. Glass Deutschland GmbH										
Viktoria - Allee 3-5	EUR	EUR						EUR	EUR	
D-52066 Aachen	102,258	85,899	60.00	87,197	86,660			454,438	65,127	66,447
Saint-Gobain Autoglas GmbH										
Viktoria - Allee 3-5	EUR	EUR						EUR	EUR	
D-52066 Aachen	102,258	19,130	60.00	72,833	72,833			–	(268,056)	(269,896)
Saint-Gobain Schleifmittel- Beteiligungen GmbH										
Viktoria - Allee 3-5	EUR	EUR						EUR	EUR	
D-52066 Aachen	10,226	50,925	100.00	61,151	61,151			-	(1,667)	(1,667)
Saint-Gobain SFM										
18, avenue d'Alsace	EUR	EUR						EUR	EUR	
F-92400 Courbevoie	45,750	1,560	100.00	45,735	45,735			-	1,147	780

COMPANIES (in thousands of euros or other currency)	Capital stock	Reserves	% interest	Book value of shares held Gross	Net	Loans and advances granted by the Company	Guarantees given by the Company	2007 net sales	2007 net income/ (loss)	Dividends received in 2007
				EUR	EUR	EUR	EUR			EUR
2 - INVESTMENTS 10% to 50% of capital held by Compagnie de Saint-Gobain										(1)
Saint-Gobain Cristaleria Edificio Ederra Centro Azca Paseo de la Castellana 77 E-28046 Madrid	EUR 91,988	EUR 336,500	23.91	211,220	211,220	70,668		EUR 693,135	EUR 201,060	44,949
Saint-Gobain Emballage 18, avenue d'Alsace F-92400 Courbevoie	EUR 42,069	EUR 25,378	20.52	61,553	61,553	30,214		EUR 682,165	EUR 552,858	108,356
SEPR 18, avenue d'Alsace F-92400 Courbevoie	EUR 63,361	EUR 6,352	25.73	53,310	53,310	106,181		EUR 249,661	EUR 5,447	11,641
OTHER										
Subsidiaries over 50% owned										
Total French companies				6,707	6,707	214,954				862
Total non-French companies				22,884	22,884	174,438	3,069,977			3,732
Holdings of between 10% and 50%										
Total French companies										-
Total non-French companies				648	648					352
Other shares				**31,180**	**31,013**	**192,773**				**1,975**
Treasury shares				**199,357**	**148,212**					
TOTAL				**8,320,312**	**8,268,463**	**8,038,642**	**3,069,977**			**548,774**

(1) The amount shown for subsidiaries of the German branch relates to the net income or loss for the year within the scope of the integrated tax system.

NOTE 16

Financial commitments excluding leases

Commitments given

(in € thousands)	Amount
Guarantees [1]	3,452,760
Other commitments given:	
to economic interest groupings	7,548
Total	**3,460,308**
Including:	
[1] consolidated companies	3,069,977

Commitments received

(in € thousands)	Amount
Other commitments received:	
Debt waivers with a clawback clause	3,720
Total	**3,720**
Including: consolidated companies	3,720

Commitments relating to financial instruments concerning **currency risks** are as follows:

(in € thousands)		Amount
Equivalent in euros of forward purchases and sales of foreign currency	EUR	703,181
Currency options purchased	EUR	–
Currency options sold	EUR	–
Currency swaps	EUR	1,788,504

Commitments relating to financial instruments concerning **interest rate risks** are as follows:

(in € thousands)	Amount
Swaps - borrowers at fixed rate/variable rate	950,000
Swaps - lenders at fixed rate/variable rate	402,767
Swaps - variable rate/variable rate	155,000
Swaps - fixed rate/fixed rate	–
Cross-currency swaps borrowers at fixed rate/variable rate	–
Cross-currency swaps lenders at fixed rate/variable rate	–
Cross-currency swaps - variable rate/variable rate	–
Cross-currency swaps - fixed rate/fixed rate	33,965
Caps purchased/(sold), net	–
Commodity swaps - fixed-rate borrower /variable-rate lender	81,446
Commodity swaps - variable-rate borrower /fixed-rate lender	81,446

NOTE 17

Lease commitments

On December 18, 1996, Compagnie de Saint-Gobain entered into a real estate lease agreement for its head office premises at La Défense (Les Miroirs). The lease is for a 12-year term starting February 1, 1997.

(in € thousands)	Head office
Cost	**80,798**
Depreciation	
Accumulated at beginning of year	14,519
Charge for the year	1,464
Total	**15,983**
Lease payments made	
Accumulated at beginning of year	90,629
Charge during the year	9,444
Total	**100,073**
Lease payments outstanding	
Within one year	8,975
Between one and five years	773
Beyond five years	–
Total	**9,748**
Residual value	
Within one year	–
Between one and five years	12,120
Beyond five years	–
Total	**12,120**

NOTE 18

Employees

Monthly average number of employees

	2007	2006	2005
Les Miroirs head office premises in La Défense, Paris			
Managers	169	170	169
Supervisors	60	59	62
Other non-manual employees	7	7	7
Total	**236**	**236**	**238**
of which fixed-term contracts	4	5	4

	2007	2006	2005
Aachen premises in Germany			
Managers	40	38	40
Supervisors	85	83	87
Other non-manual employees	1	1	2
Total	**126**	**122**	**129**
of which fixed-term contracts	6	7	7

Statutory training entitlement

As regards the statutory training entitlement provided for by Act no. 2004.391 of March 4, 2004 relating to lifelong learning, the aggregate number of training hours corresponding to unused vested training entitlement amounted to 11,730 hours at December 31, 2007, representing an estimated amount of €206 thousand.

Management compensation

Compensation received by the Company's directors and corporate officers directly and indirectly from Group companies within and outside France totaled €15.6 million in 2007 (2006: €13.3 million; 2005: €20.4 million). This included a gross variable portion of €7.1 million (2006 and 2005: €5.4 million) and retirement bonuses of €0.7 million.

Pensions and other post-employment benefits (defined benefit obligations in respect of retirement bonuses and annuities) accruing to the Group's directors and corporate officers totaled €22.7 million.

Attendance fees paid to directors for 2007 totaled €0.8 million (2006: €0.8 million; 2005: €0.5 million).

NOTE 19

Litigation

19.1 Asbestos-related litigation

The main disputes involving the Group's subsidiaries are described below.

Asbestos-related litigation

In France, further individual lawsuits were filed in 2007 by former employees (or persons claiming through them) of Everite and Saint-Gobain PAM ("the employers") – which in the past had carried out fiber-cement operations – for asbestos-related occupational diseases, with the aim of obtaining supplementary compensation over and above the amounts paid by the French Social Security authorities in this respect. A total of 634 such lawsuits have been issued against the two companies since 1997.
At December 31, 2007, 461 of these 634 lawsuits had been completed both in relation to liability and quantum. In all of these cases, the employers were held liable on the grounds of "inexcusable fault".
Everite and Saint-Gobain PAM were held liable to pay a total amount of less than €2 million in compensation as regards these lawsuits.
Concerning the 173 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2007, the merits of 67 have been decided but the compensation awards have not yet been made, pending issue of medical reports. In all these cases, the Social Security authorities were ordered to pay compensation for the victims for procedural reasons (statute of limitations, liability issues – *inopposabilité*).
Out of the 106 remaining lawsuits, 17 have not been the object of any further proceedings for at least three years and 12 were dismissed following a claim made to the French Asbestos Victims Compensation Fund (FIVA), including three cases previously considered inactive. At December 31, 2007, the procedures relating to the merits of the other 77 cases were at different stages: ten are involved in administrative proceedings with the French Social Security authorities; 49 are pending with the Social Security courts; 8 are pending an appeal hearing; 1 has been referred to the Versailles Court of Appeal following a hearing by the Court of Cassation; rulings have been issued in 7 cases by the Versailles Court of Appeal, with the Social Security authorities in the process of reimbursing Everite; and 2 are being examined by the Court of Cassation in light of liability issues.
In addition, 103 suits based on inexcusable fault had been filed by current or former employees of 14 other French companies in the Group, in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.
At December 31, 2007, FIVA had intervened in 11 cases. It is pursuing proceedings in two cases after compensating the employees, and enquiries are ongoing in nine other cases following the employees' withdrawal from the proceedings.
At that date, 63 lawsuits were completed, of which 14 rulings held the employer liable for inexcusable fault. However, these rulings did not have any financial impact on the companies concerned.
For the 29 suits outstanding at December 31, 2007, four were in the investigation stage by the French Social Security authorities, 14 were pending before the Social Security courts and eight before the Courts of Appeal, and three cases have not undergone any procedural measures for at least the last three years.

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 the employees or former employees of the companies. The claims 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 2007

After three years marked by high numbers of claims filed against CertainTeed (60,000 in 2001, 67,000 in 2002 and 62,000 in 2003, compared with 19,000 in 2000), new claims filed fell to 18,000 in 2004, and subsequently dropped to 17,000 in 2005, to 7,000 in 2006 and to some 6,000 in 2007. This decline was felt over the last four years in most States, particularly in those which had seen the greatest numbers of claims in the previous years. The decline reflects State court rulings as well as changes in local legislation in various States to introduce stricter medical criteria for new claims.

Almost all of the claims against CertainTeed are settled out of court. Approximately 8,000 claims were settled out of court in 2007, compared with 54,000 in 2003, 20,000 in 2004 and in 2005, and 12,000 in 2006. Taking into account the 76,000 outstanding claims at the end of 2006 and the new claims having arisen during the year, as well as claims settled or placed in inactive docket, some 74,000 claims were outstanding at December 31, 2007.

Impact on the Group's results

The Group recorded a €90 million charge in 2007 to cover future developments in relation to claims involving CertainTeed. This amount is slightly lower than the €95 million recorded in 2006, the €100 million recorded in 2005, the €108 million recorded in 2004, and the €100 million recorded in 2002 and 2003. At December 31, 2007, the Group's total cover for asbestos-related claims against CertainTeed in the United States was €321 million (USD 473 million), compared with €342 million at December 31, 2006 (USD 451 million). The coverage is achieved almost entirely through the balance sheet provision, as most available insurance had been used by 2004.

Cash flow impact

Compensation paid in respect of these claims against CertainTeed (including claims settled prior to 2007 but only paid out in 2007, and those fully resolved and paid in 2007), and compensation paid (net of insurance) by other Group businesses in connection with asbestos-related litigation, amounted to €53 million (USD 73 million) in 2007, compared to €67 million (USD 84 million) in 2006.

Outlook for 2008

No significant developments have been observed during the past few months, either in terms of new claims or in terms of compensation paid.

On the legislative front, the federal reform bill – which sought to phase out the current system with the creation of an asbestos trust fund – now appears unlikely to progress.

In Brazil, former Group employees suffering from asbestos-related occupational illness are offered either exclusively financial compensation or lifetime medical assistance combined with financial assistance. Only a small number of asbestos-related lawsuits were outstanding at December 31, 2007 and they do not represent a material risk for the companies concerned.

19.2 European Commission investigation into the construction glass and automotive glass industries

Further to its investigations carried out at the sites and premises of glassmakers operating in Europe (including Saint-Gobain Glass and Saint-Gobain Sekurit) during February and March 2005, and in light of information provided to the European Commission by one of these companies as part of an application for leniency, the European Commission sent Statements of Objections to Saint Gobain Glass France (construction glass) on March 12, 2007, and to Saint-Gobain Glass France, Saint-Gobain Sekurit Deutschland and Saint-Gobain Sekurit France (automotive glass) on April 19, 2007. The two Statements of Objections, which were also sent to Compagnie de Saint-Gobain in its capacity as parent company of the entities, concerned an alleged breach of Article 81 of the Treaty of Rome.

The Statements of Objections claim that the above-mentioned glass subsidiaries contacted or met with one or more competitors to discuss pricing strategies or market share stabilization, or to exchange illicit information.

Following a review of the case and the objections, Saint-Gobain Glass France is not challenging the allegations made in respect of its construction glass activity, while Saint-Gobain Glass France, Saint-Gobain Sekurit Deutschland and Saint-Gobain Sekurit France have acknowledged the claims against their automotive glass businesses but are challenging the scope given to certain such claims by the Commission.

In their responses to the Commission, the companies concerned nevertheless set forth a series of arguments based on the seriousness and duration of the alleged infringements, the amount of sales generated by the activities to be taken into account in the claim, and the impact of the repeat offence. Compagnie de Saint-Gobain has formally denied any liability whatsoever for the allegations made in the two cases.

In a decision of November 28, 2007 concerning its investigation into companies manufacturing construction glass, the European Commission held that Saint-Gobain Glass France had violated Article 81 of the Treaty of Rome. Accordingly, Saint-Gobain Glass France was fined, jointly and severally with Compagnie de Saint-Gobain, an amount of €133.9 million. Compagnie de Saint-Gobain and Saint-Gobain Glass France decided not to appeal this decision and the fine was paid on March 3, 2008.

After adjusting the amount of the provision set aside in respect of this fine for the construction glass business, and revising the provision for the automotive glass investigation to incorporate a higher sales basis (2007 rather than 2006 sales), the €650 million provision set aside in the first half of 2007 was increased to €694 million at December 31, 2007.

NOTE 20

Subsequent events

On March 13, 2008, Saint-Gobain acquired the Maxit group from HeidelbergCement following approval from the European competition authorities on March 4. The authorities' approval was subject to the divestment by Saint-Gobain of two small Maxit subsidiaries specialized in the production and sale of gypsum-based products and representing total sales of around €40 million. The cost of the transaction was €2,091 million, including €577 million in debt.

Statutory Auditors' report on the financial statements

Year ended December 31, 2007

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 readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the opinion on the 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 financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

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

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, 2007, on:

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

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

I - Opinion on the 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of Compagnie de Saint-Gobain's financial position and its assets and liabilities, as of December 31, 2007, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

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 matter:

- Value of financial investments and investments in subsidiaries and affiliates

As described in Note 1 to the financial statements relating to accounting principles and methods, the Company carries out impairment tests on a yearly basis for its financial investments and investments in subsidiaries and affiliates. Based on the information available at the time of our audit, we assessed the approach used by the Company and ensured that the estimates made by the Company at December 31, 2007 were reasonable.

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

III - Specific verifications and information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.

We have no matters to report regarding:

- the fair presentation and the conformity with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements;
- the fair presentation of the information provided in the management report of the Board of Directors in respect of remuneration granted to certain company officers and any other commitments made in their favor in connection with, or subsequent to, their appointment, termination or change in function.

In accordance with the law, we have verified that the management report contains the appropriate disclosures regarding the identity of shareholders.

Neuilly-sur-Seine and Paris La Défense, March 20, 2008

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG Audit
Division of KPMG S.A.

Pierre Coll Rémi Didier

Jean Gatinaud Jean-Paul Vellutini

Five-year financial summary

(in € thousands)	2007	2006	2005	2004	2003
1 - Capital stock at year-end					
Capital stock	1,496,865	1,473,679	1,381,025	1,363,952	1,391,300
Number of common shares outstanding	374,216,152	368,419,723	345,256,270	340,988,000	347,824,967
2 - Operations and results for the year					
Net sales excluding taxes	191,669	180,586	172,680	158,410	163,379
Income before tax, depreciation, amortization and provisions	591,916	440,209	520,002	719,758	430,896
Income tax	260,296	149,994	55,945	45,403	69,888
Net income after tax, depreciation, amortization and provisions	871,150	849,187	525,130	766,017	513,574
Dividend distribution	(1) 758,091	(2) 621,062	(3) 459,483	(4) 429,812	(5) 387,384
3 - Earnings per share (€)					
Earnings per share before tax, depreciation, amortization and provisions	1.58	1.19	1.51	2.11	1.24
Earnings per share after tax, depreciation, amortization and provisions	2.33	2.30	1.52	2.25	1.48
Net dividend per share	2.05	1.70	1.36	1.28	1.15
4 - Employees (6)					
Average number of employees during the year	236	236	238	237	235
Total payroll cost for the year (7)	28,682	26,663	27,782	25,140	24,991
Total benefits for the year	16,258	15,339	15,306	14,274	13,863

(1) Based on 374,216,152 shares (capital stock at December 31, 2007) less 4,415,479 treasury shares held at February 29, 2008, i.e., 369,800,673 shares.

(2) Reflects a €3,800 thousand adjustment due to the 792,657 treasury shares sold between March 1, 2007 and June 21, 2007 (earliest dividend payment date) and the May 15, 2007 issue of 1,442,584 shares carrying dividend rights as from January 1, 2006 within the scope of the leveraged Group Savings Plan.

(3) Reflects a €146 thousand adjustment due to transactions involving treasury shares between March 1, 2006 and June 21, 2006, the earliest dividend payment date (acquisition of 1,105,000 shares and disposal of 997,310 shares).

(4) Reflects a €366 thousand adjustment due to the 285,934 treasury shares sold between March 1, 2005 and June 23, 2005, the earliest dividend payment date.

(5) Reflects a €412 thousand adjustment due to the 357,874 treasury shares sold between February 29, 2004 and June 24, 2004, the earliest dividend payment date.

(6) Employee figures only include staff at the Company's head office and exclude the Germany branch.

(7) As from 2005, total payroll includes employee profit-sharing (€1,493 thousand in 2005, €1,852 thousand in 2006 and €1,784 thousand in 2007).

Main subsidiaries, by country and delegation

All of the subsidiaries are wholly owned, unless otherwise stated

FRANCE

Saint-Gobain Glass France: manufacturing and processing of flat glass. Sales: €330.9 million. Employees: 1,029. These figures include Eurofloat, a float glass plant. Holds:

- Saint-Gobain Produits Industriels (SGPI), M.O. Pays de Loire, Comptoir des Glaces et Produits Verriers, C.G.G. M.O. Atlantique, Les Vitrages de Saint-Gobain Normandie, M.O. Semiver-Climaver, M.O. Charentes-Limousin, M.O. Armorique, Miroiterie du Rhin, Société Verrière Française (SVF), Sovedys, Sivaq, Centre Est Vitrage (CEV), Charles André, Soprover, Société Verrière de l'Atlantique (SVA), Le Vitrage du Midi (LVM), Glassver, Gobba Vitrage, Auvergne Isolation, Vitrages Isolants d'Auvergne, Alp'Verre, Courbu Vitrages, Verrerie Aurys, Pierre Pradel, Wehr Miroiterie, Emaillerie Alsacienne, Techniverre. Distribution and processing of flat glass products for the building industry. Employees: 3,166.
- Eurokera (50%). Employees: 143. Keraglass (50%). Employees: 107. Production and sale of glass ceramic cooktops.
- Saint-Gobain Sovis: tempered glass for home appliances, industrial and scientific optics, radiation-proof glass. Employees: 124.
- Verrerie de Saint-Just: decorative glass. Employees: 57.
- Saint-Gobain Sully: flat glass for trains and the aeronautics industry. Employees: 494.
- Saint-Gobain Glass Logistics: transport.
- Saint-Gobain Recherche: glass and building materials research center. Employees: 361.

Saint-Gobain Sekurit France: processing for the automobile industry. Sales: €277.4 million. Employees: 936. These figures include those of Société Verrière d'Encapsulation: encapsulation of glass for the automobile industry. Holds: Saint-Gobain Autover: distribution and processing of flat glass for the automobile industry.

SEPR - Société Européenne des Produits Réfractaires: manufactures fused-cast refractory products used mainly for glass furnaces and various special products (pellets, grains and ceramic powders). Sales: €222.3 million. Employees: 906. Holds:

- Savoie Réfractaires: manufactures special refractories. Sales: €46.7 million. Employees: 198.
- Saint-Gobain Cristaux & Détecteurs: manufactures optical crystals and synthetic monocrystals for chemical analysis. Sales: €28.3 million. Employees: 153.
- Saint-Gobain Quartz S.A.S.: manufactures silica parts for the chemical industry, silica crucibles and reactor tubes for the semi-conductor industry, silica wool and yarn for the space industry, Micaver insulating materials, piezoelectric ceramics. Sales: €18.8 million. Employees: 137.
- Saint-Gobain Matériaux Céramiques: produces seeded gel.
- Saint-Gobain Centre de Recherche et d'Etudes Européennes: ceramics research center. Employees: 235.
- Valoref SA: recycling.
- SG Solcera: manufactures fine ceramics for industrial uses. Sales: €15.9 million. Employees: 111.

Saint-Gobain Performance Plastics Europe: holding company. Holds: SG Performance Plastics Asti, SG Performance Plastics España, SG Performance Plastics Gessil, SG Performance Plastics Verneret; SG Performance Plastics Bompas Sarl: manufactures and sells high-performance plastics. Employees: 429.

Saint-Gobain Abrasifs (France): manufactures bonded abrasives, grinding wheels and superabrasives. Sales: €151.9 million. Employees: 774.

Saint-Gobain Matériaux de Construction: holding company. Holds: Saint-Gobain Weber: produces industrial mortars in 26 countries. Sales: €938 million. Employees: 4,143. These figures include subsidiaries except in Brazil, Bulgaria and Turkey.

Saint-Gobain Isover: production and processing of glass wool and rock wool insulation products. Sales: €328.6 million. Employees: 917. Holds:

- Saint-Gobain Eurocoustic: production of rock wool insulation products. Sales: €57.1 million. Employees: 188.
- Saint-Gobain Ecophon SA: acoustic ceilings. Employees: 26.
- Plafométal: metal ceilings. Sales: €39.2 million. Employees: 118.

BPB Placo SAS: manufactures and sells plaster, plasterboard, insulation products and ceiling tiles. Sales: €671.1 million. Employees: 1,887.

Saint-Gobain PAM: ductile cast-iron pipes and hydraulic connectors for water-supply, irrigation and wastewater networks. Cast-iron products for the building industry. Sales: €913.1 million. Employees: 2,975. Holds: Saint-Gobain Seva: industrial equipment, glass molds, fiberglass plates for insulation, door fittings. Sales: €60.1 million. Employees: 359.

Partidis: distribution of building materials. Sales: €9.29 billion. Employees: 38,548. Holds:

- Point.P: France, Spain, Belgium, Poland. Building materials distribution through 11 regional companies (Brittany, central France, eastern France, Paris region, Loire region, Languedoc Midi-Pyrénées, Northern France, Normandy, PACA, Rhône-Alpes, south-west France). 3 national companies (DSC, Asturienne, PUM Plastiques). La Plateforme du Bâtiment banner (39 retail outlets in France, 18 in Spain and 3 in Italy). 1,861 retail outlets: over 1,760 in France, 84 in Spain, 11 in Belgium and 3 in Portugal.
- Lapeyre: distribution of home improvement products under the following banners: Lapeyre La Maison, Distrilap, K par K, Gimm, Oxxo, Les Zelles, Cougnaud, Cordier, Lagrange, Poreaux, Pastural, Technifen (France), Okfens (Poland), Eldorado Exportacao and Contrumega-Megacenter (Brazil).

Saint-Gobain Emballage: manufactures glass containers (industrial bottles and jars). Sales: €675.1 million. Employees: 1,862. Holds:

- VOA Verrerie d'Albi: glass containers (bottles). Sales: €87 million. Employees: 312.
- Samin: operates quarries. Employees: 140.
- Saga Decor: decoration of bottles and jars. Employees: 186.

Spafi: holding company. Holds: SGPPI: holding company.

Vertec: holding company.

GERMANY AND CENTRAL EUROPE

Germany

Saint-Gobain Glass Deutschland GmbH: manufacturing and processing of flat glass. Sales: €471.4 million. Employees: 1,004.

Saint-Gobain Deutsche Glas GmbH: a holding company controlling various subsidiaries which distribute and process flat glass for the building industry. Sales (including subsidiaries): €271.3 million. Employees (including subsidiaries) 1,704.

Saint-Gobain Sekurit Deutschland Beteiligungen GmbH: company managing Saint-Gobain Sekurit Deutschland KG and holding other equity interests. Holds:

- Autoglas Hansa. Holds: Renz Autoglas GmbH, SG Autover Deutschland GmbH, Freudenberger Autoglas KG.
- Faba Autoglas Technik GmbH: processing of automobile glass.

Saint-Gobain Sekurit Deutschland KG: manufactures flat glass products for the automobile industry. Sales: €292.4 million. Employees: 1,606. These figures include those of Faba Autoglas Technik Kg: extrusion of laminated and coated flat glass.

SEPR Keramik GmbH & CO KG: holding company. Holds:

- Norton Beteiligungs: holding company. Holds: Saint-Gobain Performance Plastics Pampus GmbH: manufactures and sells high-performance plastics for the medical and automobile industries and for other industrial equipment. Sales: €66.9 million. Employees: 352. Saint-Gobain Advanced Ceramics Lauf GmbH: manufactures and sells advanced ceramics. Sales: €19.8 million. Employees: 189.
- Saint-Gobain IndustrieKeramik Düsseldorf: produces refractory products. Sales: €31.2 million. Employees: 98.
- Saint-Gobain Advanced Ceramics Mönchengladbach: manufactures and sells advanced ceramics. Sales: €13.5 million. Employees: 74.
- Saint-Gobain IndustrieKeramik Roedental: produces high-performance refractory products. Sales: €87.9 million. Employees: 776.
- Saint-Gobain Performance Plastics Cologne. Employees: 29.

Saint-Gobain Schleifmittel - Beteiligungen GmbH: Holds:

- Saint-Gobain Diamond Products GmbH: produces superabrasive tools for the mechanical and stone-cutting industries. Sales: €15.1 million. Employees: 29.
- Saint-Gobain Diamantwerkzeuge KG: manufactures and sells industrial superabrasives. Sales: €57 million. Employees: 503.
- Saint-Gobain Abrasives GmbH: manufactures and sells grinding wheels and superabrasives. Sales: €86.7 million. Employees: 430.

Saint-Gobain Vetrotex Deutschland GmbH: manufactures and sells glass threads for reinforcements. Sales: €33.6 million. Employees: 242.

Saint-Gobain Isover G + H AG: manufactures and sells mineral fibers and foams for thermal, refrigeration and acoustic insulation as well as for fireproofing. Sales: €370.1 million. Employees: 1,373. These figures include those of Superglass Dammstoffe GmbH: distributes insulating materials.

Rigips GmbH: manufactures and sells plaster, plasterboard, insulation products and ceiling tiles. Sales: €258.5 million. Employees: 805.

Halbergerhütte GmbH: holding company. Holds: Saint-Gobain Gussrohr KG: ductile cast-iron pipes. Sales: €172.5 million. Employees: 430.

SG HES GmbH: sale of piping systems for the building industry. Sales: €36.9 million. Employees: 43.

Raab Karcher GmbH: distributes building materials. Sales: €1.8 billion. Employees: 5,876.

Schäfer: distributes roofing materials.

Saint-Gobain Oberland AG (96.7%): company listed on the Frankfurt, Munich and Stuttgart Stock Exchanges. Manufactures glass containers (bottles, industrial jars). Sales: €367.7 million. Employees: 1,425. These figures include those of Westerwald Silikatindustrie, Ruhrglas and Sueddeutsche Altglas GmbH. Holds: GPS Glas Produktions Service: production of machines for the glass containers industry. Sales: €24.6 million. Employees: 75.

Austria

Eckelt Glas GmbH: flat glass processing. Sales: €65.3 million. Employees: 313.

Saint-Gobain Isover Austria AG: manufactures and sells insulating materials. Sales: €59 million. Employees: 218.

Saint-Gobain Hornstein Glastextil GmbH: production of woven glass fabric. Sales: €17.4 million. Employees: 100.

Rigips Austria GmbH: manufactures and sells plaster, plaster board, insulation products and ceiling tiles. Sales: €76.9 million. Employees: 281.

Czech Republic

€1 = CZK 27.758

Saint-Gobain Sekurit CR Spol S.R.O.: produces laminated glass for the auto industry. Sales: CZK 1.62 billion. Employees: 534.

Izolas S.R.O.: distribution and processing of flat glass for the building industry. Sales: CZK €435.8 million. Employees: 122.

SG Vertex S.R.O.: Sales: CZK 4.9 billion. Employees: 1,596 (including subsidiaries).

Saint-Gobain Advanced Ceramics S.R.O.: Sales: CZK 271.9 million. Employees: 186.

Saint-Gobain Trubni Systemy: Sales: CZK 345.1 million. Employees: 24.

Saint-Gobain Orsil: manufactures rock wool insulating materials. Sales: CZK 2.02 billion. Employees: 314.

Riggips CZ: manufactures and sells plaster, plaster board, insulation products and ceiling tiles. Sales: CZK 1.75 billion. Employees: 230.

Saint-Gobain Slevarna S.R.O.: foundry. Sales: CZK 425.7 million. Employees: 174.

Raab Karcher Stavia A/S: distributes building materials. Sales: €3.7 billion. Employees: 712.

W.A.W. Spol. S.R.O.: distribution of tiles and bathroom fittings. Sales: CZK €727.8 million. Employees: 246.

Hungary

€1 = HUF 251.315

Saint-Gobain Distribution Material Hungary: distribution of building materials. Sales: HUF 24 billion. Employees: 480.

Slovakia

€1 = SKK 33.775

Nitrasklo A/S and Venisklo Spol S.R.O.: processing and distribution of flat glass for the building industry. Sales: SKK 748.8 million. Employees: 182.

Rigips Slovakia: manufactures and sells plaster, plaster board, insulation products and ceiling tiles. Sales: SKK 857.9 million. Employees: 92.

W.A.W. - Spol. S.R.O.: distribution of tiles and bathroom fittings. Sales: SKK €464.4 million. Employees: 118.

BENELUX

Belgium

Saint-Gobain Glass Benelux SA: manufacturing and processing of flat glass. Sales: €160.4 million. Employes: 499. These figures include Saint-Gobain Glass Coating. Holds: Frankenglas NV, Boermans Glas Montage NV, Boermans Glasindustrie NV, Burniat Glass, Glorieux NV, Wagener Jowaco, Hanin Miroiterie, Techniver, Climaglass NV, Conforglass, Veiligheidsglas CGG NV, Mirover NV. Employees of subsidiaries: 528.

Saint-Gobain Glass Exprover: export company of the Flat Glass Division.

Saint-Gobain Sekurit Benelux SA: flat glass processing for the auto industry. Sales: €99.1 million. Employees: 384. Holds: Saint-Gobain Autover Distribution SA. Employees: 114.

Saint-Gobain Abrasives NV: Employees: 25.

Saint-Gobain Matériaux Céramiques Benelux SA: processing of silicon carbide and corundum for the refractory and abrasives industries. Sales: €24.5 million. Employees: 31.

SG Performance Plastics Gembloux SA,
SG Performance Plastics Chaineux SA,
SG Performance Plastics Kontich NV: manufactures and sells high-performance plastics. Employees: 221.

BPB Belgium NV: manufactures plaster and plasterboard. Sales: €104.7 million. Employees: 222.

Saint-Gobain Pipe Systems Belgium: Sales: €35.2 million. Employees: 32.

Luxembourg

Saint-Gobain Abrasives SA (Luxembourg): produces and sells diamond-tipped tools, disks and drills, as well as machines for cutting asphalt in the construction and civil engineering industries. Sales: €47.3 million. Employees: 132.

Netherlands

Glasfabriek Sas Van Gent BV: manufactures reflecting glass, enameled glass and tempered glass. Sales: €24.6 million. Employees: 127.

Koninklijke Saint-Gobain Glass NV: sale and processing of glass products for the building industry. Sales: €137.6 million. Employees (including subsidiaries): 678.

Saint-Gobain Autover International BV: distribution of replacement automobile flat glass. Sales: €31.4 million. Employees: 33.

Saint-Gobain Abrasives Nederland: holding company. Holds: Saint-Gobain Abrasives BV: manufactures thin grinding wheels and bonded abrasives. Sales: €108.8 million. Employees: 315.

Saint-Gobain Isover Benelux: production and sale of insulating products. Sales: €125 million. Employees: 344. These figures include those of SG Isover Benelux SA - Belgium.

Saint-Gobain Ecophon BV: production and sale of acoustic ceilings. Employees: 31.

Saint-Gobain Cultilène BV: processes and sells glass wool and rock wool products for hydroponic (soil-less) cultivation. Sales: €26.9 million. Employees: 51.

Saint-Gobain The Nertherlands BV: distribution of building materials in the Netherlands. Sales: €518.7 million. Employees: 1,432.

Galvano Groothandel BV: distribution of plumbing and heating products. Sales: €79.7 million. Employees: 191.

Van Keulen: specializes in interior solutions and fitted kitchens. Sales: €20.2 million. Employees: 93.

Internationale Maatschappij Voor Het Beheer van Glasmaatschappijen BV (SGT): holding company.

Saint-Gobain Nederland: finance company.

SPAIN, PORTUGAL AND MOROCCO

Spain

Saint-Gobain Cristaleria SA: manufactures and processes flat glass for the building and automobile industries, as well as insulating materials (glass wool and rock wool). Sales: €638.9 million. Employees: 1,922. Holds:

- Saint-Gobain Autover: distribution of replacement automobile flat glass.
- Saint-Gobain Wanner: thermal and acoustic insulation. Sales: €65.7 million. Employees: 326.
- Industrias del Cuarzo (Incusa): sand quarry. Employees: 54.
- Procustic SA: processing and distribution of acoustic insulation products.
- Portaglas SL. Sales: €19.9 million. Employees: 82. Holds: Saint-Gobain Glass Solarcontrol SL. Sales: €38.6 million. Employees: 95.

La Veneciana: sale, processing and installation of flat glass products and mirrors. Sales (including subsidiaries): €127.8 million. Employees (including subsidiaries): 609. Holds: La Veneciana Norte, La Veneciana Levante, La Veneciana Bética, La Veneciana Canarias, Cristaleria Industrial (CRISA), Vidrios de Seguridad Laminados (Vislam).

Saint-Gobain Abrasivos: produces abrasive grinding wheels. Sales: €46.1 million. Employees: 201.

Saint-Gobain Ceramicas Industriales: manufactures technical ceramics and distributes high-performance plastics. Employees: 76.

Iberplaco: manufactures plasterboard. Sales: €310.6 million. Employees: 883.

Saint-Gobain Canalizacion: ductile cast-iron pipes. Sales: €201.5 million. Employees: 303. Holds: Saniplast: distribution of pipes and accessories. Sales: €65 million. Employees: 143.

Discesur: distribution of tiles. Sales: €37 million. Employees: 105.

Saint-Gobain Vicasa SA: manufactures glass containers (bottles and industrial jars). Sales: €304.7 million. Employees: 1,271. These figures include those of Saint-Gobain Montblanc SA: manufactures glass containers. Holds: Vidrieras Canarias (41%). Glass containers. Sales: €20.7 million. Employees: 105.

Portugal

Saint-Gobain Glass Portugal: manufactures and processes flat glass for buildings and home appliances. Sales: €82.3 million. Employees: 131. Holds: Covipor - CIA Vidreira do Norte, Covilis and EVI-Pruducao de Energia: processing of glass products for the building industry. Sales: €60.7 million. Employees: 201.

SGSP Vidro Automovel: flat glass processing for the auto industry. Sales: €63.3 million. Employees: 298. Holds: Autover Lusa (60%): distribution of replacement flat glass parts for the auto industry.

Saint-Gobain Abrasivos Lda: distributes abrasive products. Employees: 37.

Saint-Gobain Mondego: manufactures glass containers (industrial bottles and jars). Sales: €74.3 million. Employees: 236.

UNITED KINGDOM, REPUBLIC OF IRELAND AND SOUTH AFRICA

United Kingdom

€1 = £0.685

Solaglas Ltd: processing and distribution of flat glass products for the building industry (tempered glass, laminated glass, mirrors, insulating glass). Network of 28 sites including 12 processing facilities throughout the UK. Sales: £126.3 million. Employees: 1,310. These figures include all subsidiaries held by Solaglas Ltd., the most important of which are: Hayes Group, Dockrell Glass Group: processing for the building industry; Thermax, Birmingham Build: processing for the automobile and building industries; Saint-Gobain Glass Ltd: UK distributor for the products of the Flat Glass and Packaging Divisions; Vetrotech Saint-Gobain UK.

Saint-Gobain Ceramics & Plastics Plc: manufactures and sells high-performance plastics and products for chemical processes. Holds:

- Saint-Gobain Industrial Ceramics Ltd: production and sale of high-temperature insulation fiber and refractory products. Employees: 60.
- Saint-Gobain Performance Plastics Corby: manufactures heat-resistant hose, tubing and bundles for beverage-dispensing applications.

Saint-Gobain Quartz Plc: produces silica parts for the chemical industry, fused quartz for the semi-conductor industry, optical fiber manufacturing, infrared heating and laboratory equipment. Sales: £14.3 million. Employees: 155.

Abrasives Plc: holds: Unicorn Abrasives Ltd. and Saint-Gobain Abrasives Ltd. Sales: £54.8 million. Employees: 427. Through various subsidiaries, manufactures bonded and coated abrasives as well as superabrasives.

Saint-Gobain Plc: holding company. Holds:

- Saint-Gobain Glass UK Ltd: production and processing of flat glass. Sales: £76 million. Employees: 194.
- Saint-Gobain Technical Fabrics UK Ltd.
- Saint-Gobain Insulation UK. Holds: British Gypsum Isover: production and sale of insulation products. Sales: £47.7 million. Employees: 164.

British Plaster Board (Bpb Plc): production of plasterboard, building plaster and other special types of plaster. Sales: £489.2 billion. Employees: 1,819.

Saint-Gobain Pipelines Plc: ductile cast-iron pipes and hydraulic connectors for water-supply and wastewater networks. Hydraulic valves. Cast-iron and steel supplies for roadworks, cast-iron supplies for the building industry. Sales: £119.4 million. Employees: 546. Holds: Stanton Bonna Concrete Ltd (20%): concrete pipes.

Saint-Gobain Building Distribution Ltd.: Distribution of building materials. Sales: £2.5 billion. Employees: 14,212.

Republic of Ireland

Chemfab Holding: Holds: Chemfab Ireland Ltd and SG PPL Ireland. Processing of coated fabrics (PTFE, silicone) and adhesive tapes. Sales: €20.4 million. Employees: 78.

Glasuld Ireland: production and distribution of insulating products.

Moy-Isover Ltd.: production and sale of insulation products. Sales: €19.1 million. Employees: 64.

Gypsum Industries Ltd.: produces plaster, plasterboard and ceiling tiles. Sales: €127.4 million. Employees: 255.

South Africa

€1 = ZAR 9.625

Saint-Gobain Abrasives Pty: manufactures coated abrasives, superabrasives and grinding wheels. Sales: ZAR 90.1 million. Employees: 191.

BPB Gypsum (Pty) Ltd.: produces plaster, plasterboard and ceiling tiles. Sales: ZAR 986.4 million. Employees: 505.

Donn Products Pty: produces plasterboard and ceiling tiles. Sales: ZAR 306.7 million. Employees: 128.

Saint-Gobain Pipelines South Africa: manufactures cast-iron parts. Sales: ZAR 210.5 million. Employees: 383.

ITALY AND GREECE

Italy

Saint-Gobain Glass Italia: manufacturing and processing of flat glass. Sales: €169.9 million. Employees: 311. Holds:

- Flovetro (50%): manufactures and processes flat glass (float). Sales: €17.5 million. Employees: 50.
- SGGI Logistica Servizi: road transport.

- Gruppo Fontana: processing and sale of glass. Sales: €57.2 million. Employees: 50.
- Vetreira Industriale Saint-Gobain (V.I.S.) S.R.L. Employees: 35.

Saint-Gobain Sekurit Italia: flat glass processing for the auto industry. Sales: €80.7 million. Employees: 245. Holds: SG Autover Italia S.R.L., SG Sicurglass S.R.L. and Vetro Sud S.R.L. (50%). Overall sales: €61.6 million. Employees: 323.

Saint-Gobain Euroveder Italia: tempered glass for home appliances. Sales: €38.3 million. Employees: 267.

Saint-Gobain Abrasivi SpA: manufactures abrasives grinding wheels. Sales: €110.1 million. Employees: 438.

SEPR Italia: manufactures fused-cast refractory products. Sales: €36.1 million. Employees: 195.

Saint-Gobain Isover Italia: manufactures insulating materials and sealing products (roofing materials, bonded fiberglass sidings). Sales: €72.9 million. Employees: 187.

BPB Italia SpA: produces plaster, plasterboard and ceiling tiles. Sales: €163.9 million. Employees: 419.

Saint-Gobain Condotte SpA: ductile cast-iron pipes. Sales: €81.8 million. Employees: 99.

Vemac: distribution of building materials through 10 outlets. Sales: €47.2 million. Employees: 206.

Saint-Gobain Vetri: manufactures glass containers (industrial bottles and jars). Sales: €475.8 million. Employees: 1,193. These figures include those of Ecoglass: collection and processing of cullet.

POLAND, RUSSIA AND UKRAINE

Poland

€1 = PLZ 3.783

Saint-Gobain Glass Polska Sp ZOO: manufactures and processes flat glass. Sales: PLZ 494.8 million. Employees: 359. Holds: Glaspol Sp ZOO: processing and distribution of flat glass for the building and home furnishing industries. Sales: PLZ 280.4 million. Employees: 702. HS Jaroszowiec: manufactures and sells screen-printing glass. Sales: PLZ 78.6 million. Employees: 263. SG Euroveder Polska: processes glass for home appliances and photovoltaic glass. Sales: PLZ 45.6 million. Employees: 207.

Saint-Gobain Sekurit Hanglas Polska: produces automobile glass. Sales: PLZ 547 million. Employees: 1,559.

Saint-Gobain Velimat Polska Sp ZOO: production and distribution of bonded fiberglass. Sales: PLZ 39.6 million. Employees: 98.

Saint-Gobain Abrasives Sp ZOO: production and distribution of abrasive grinding wheels. Sales: PLZ 242.6 million. Employees: 985.

Saint-Gobain Isover Polska Sp ZOO: production and distribution of insulating products. Sales: PLZ 384.1 million. Employees: 339.

Rigips Polska - Stawiany Sp ZOO: produces plaster, plasterboard, insulation products and ceiling tiles. Sales: PLZ 264.8 million. Employees: 221.

SG Dystrybucja Budowlana Sp ZOO: building materials distribution. Sales: PLZ 725.4 million. Employees: 959. Holds: Cortina Sp ZOO: ceramic tile distribution.

Russia

€1 = RUR 35.019

SG Construction Products Rus (87.40%): production and distribution of insulating products, plaster and plasterboard. Sales: RUR 5.39 billion. Employees: 481.

Kavminsteklo Zao (89.45%): produces glass packaging. Sales: RUR 1.89 billion. Employees: 1,060.

Ukraine

€1 = HRN 6.897

SG Construction Products Ukraine: distribution of insulating materials, plaster and plasterboard. Sales: HRN 176.3 million. Employees: 43.

Consumers Sklo Zorya (96.68%): production of glass packaging. Sales: HRN 353.2 million. Employees: 850.

ROMANIA, BULGARIA AND TURKEY

Romania

€1 = RON 3.338

Saint-Gobain Glass Romania SRL: produces flat glass. Sales: RON 227.4 million. Employees: 257.

Saint-Gobain Isover Romania SRL: produces rock wool products. Sales: RON 94.1 million. Employees: 201.

Rigips Romania SRL: produces plaster and plaster board. Sales: RON 173.7 million. Employees: 262.

Bulgaria

€1 = BGL 1.956

Rigips Bulgaria Eood: produces plaster and plaster board. Sales: BGL 22.8 million. Employees: 23.

Saint-Gobain Weber Bulgaria Eood: produces industrial mortars. Sales: BGL 14.3 million. Employees: 70.

Turkey

€1 = TRY 1.787

Izocam (47.5%): produces glass wool and rock wool. Sales: TRY 122.3 million. Employees: 214.

BPB Gypsum Prod & trading Ltd: manufactures and sells plasterboard. Sales: TRY 46.9 million. Employees: 109.

Weber Markem: produces industrial mortars. Sales: TYR 52 million. Employees: 192.

NORDIC COUNTRIES AND BALTIC STATES

Denmark

€1 = DKK 7.451

Scanglas A/S: produces insulating and tempered glass. Sales: DKK 380.9 million. Employees: 368.

Saint-Gobain Isover A/S: production and sale of insulating products. Sales: DKK 548.8 million. Employees: 251.

Saint-Gobain Ecophon Production A/S: manufactures acoustic products.

Finland

SG Sekurit Finland Oy: processing of automobile glass. Sales: €15.3 million. Employees: 114.

SG Autover Finland Oy: Replacement flat glass. Employees: 14.

Finnglass Oy and Verinvest Oy: processing and distribution of flat glass for the building industry. Employees: 66.

Saint-Gobain Isover Oy: production and distribution of insulating products. Sales: €109.7 million. Employees: 335.

Norway

€1 = NOK 8.018

Brodrene Böckmann A/S: produces insulating glass. Sales: NOK 532.7 million. Employees: 374.

SG Autover Bilglas A/S: distribution of replacement flat glass. Sales: NOK 91.7 million. Employees: 65.

Saint-Gobain Ceramic Materials A/S: manufactures and sells silicon carbide products. Sales: NOK 489.4 million. Employees: 258.

Optimera Gruppen AS: distribution of building materials. Sales: NOK 5.58 billion. Employees: 1,451.

Sweden

€1 = SEK 9.252

Emmaboda Glas AB: produces insulating and tempered glass. Sales: SEK 428.6 million. Employees: 230.

Saint-Gobain Sekurit Scandinavia AB: manufactures tempered and laminated glass for the automobile industry. Sales: SEK 535.6 million. Employees: 196.

Saint-Gobain Abrasives AB: abrasives. Sales: SEK 194.8 million. Employees: 35.

Saint-Gobain Isover AB: production and sale of insulating products. Sales: SEK 1.03 billion. Employees: 471.

Saint-Gobain Ecophon AB: production and sale of acoustic ceilings. Sales: SEK 1.07 billion. Employees: 451. These figures include those of SG Ecophon Product. A/S - Denmark.

Dahl International AB: distribution of bathroom and heating products in Sweden, Norway, Denmark, Finland, Poland, Romania and Estonia. Sales: SEK 20 billion. Employees: 4,485.

Optimera Svenska AB: distribution of building materials. Sales: SEK 2.07 billion. Employees: 659.

Estonia

Saint-Gobain Sekurit Eesti A/S: manufactures replacement windscreens. Sales: €19.2 million. Employees: 226.

AS Baltiklaas: processing and distribution of flat glass for the building industry. Sales: €14.4 million. Employees: 126.

Saint-Gobain Isover Eesti A/S: distribution of insulating materials.Sales: €21.1 million. Employees: 28.

Latvia

SIA Saint-Gobain Isover: distribution of insulating materials. Employees: 18.

Lithuania

UAB Saint-Gobain Isover: distribution of insulating materials. Employees: 13.

OTHER EUROPEAN COUNTRIES

Switzerland

€1 = CHF 1.643

Temperit AG: distribution and processing of flat glass products for the building industry. Sales: CHF 70.5 million. Employees: 221.

Vetrotech International AG: production and sale of glass ceramic cooktops. Sales: CHF 66.3 million. Employees: 117.

Saint-Gobain Isover SA: production and sale of insulating products. Sales: CHF 77.3 million. Employees: 175.

Riggips AG: produces plaster, plasterboard, insulation products and ceiling tiles. Sales: CHF 78.3 million. Employees: 154.

Sanitas Troesch: bathroom and kitchen distribution. Sales: CHF 562.9 million. Employees: 922.

International Saint-Gobain: holding company.

UNITED STATES AND CANADA

United States

€1 = USD 1.370

Saint-Gobain Corporation: holding company.

CertainTeed Corporation: insulation products and building materials. This division includes the following business lines:

- Residential roofing (shingles).
- Commercial roofing.
- Roofing granules.
- PVC pipe and outdoor living products (fencing, decking and railing).
- Fiber cement siding.

Holds:

- Saint-Gobain Technical Fabrics America, Inc.: production and sale of industrial products for reinforcements. Holds: Saint-Gobain BayForm America Inc.: production and sale of industrial products and parts for door and window manufacturing.
- Ecophon C.T.T: sale of acoustic ceilings.

Sales: USD 3.21 billion. Employees: 6,601. The sales and the employees of CertainTeed Corporation include those of Saint-Gobain Technical Fabrics America, Saint-Gobain BayForm America Inc., Saint-Gobain BTI Inc., Ecophon C.T.T. Bird Inc. and GS Roofing.

Saint-Gobain Glass Corporation: holding company. Holds: SG Sekurit USA Inc., HCS Corporation, Sovis North America Inc., Vetrotech Saint-Gobain North America Inc. Total sales: USD 28.2 million. Employees: 52.

Eurokera North America (50%): produces and distributes glass ceramic cooktops. Sales: USD 48.4 million. Employees: 78.

Saint-Gobain Abrasives, Inc.: manufactures bonded abrasives, coated abrasives and superabrasives. Sales: USD 801.3 million. Employees: 3,698. These figures include those of SG Universal Superabrasives Inc. Main subsidiaries in the US, Canada, Mexico and New Zealand.

Saint-Gobain Ceramics & Plastics, Inc.: through its own activities or through its subsidiaries, manufactures engineered and advanced ceramics, chemical process products, high-performance plastics, fused-cast refractory products and special ceramic grains and silicon carbide products. Sales: USD 1.45 billion. Employees: 5,342. These figures include those of the consolidated subsidiaries.

BPB USA Inc.: produces and sells plaster, plasterboard and ceiling tiles. Sales: USD 641.7 million. Employees: 1,377.

Norandex Building Materials Distribution: distributes building materials and manufactures vinyl siding. Sales: USD 221.1 million. Employees: 1,356.

Meyer International Inc.: Sales: USD 81.2 million. Employees: 235.

Saint-Gobain Containers, Inc.: manufactures glass containers (bottles and jars). Sales: USD 1.44 billion. Employees: 4,437.

Canada

€1 = CAD 1.469

Saint-Gobain Technical Fabrics Canada, Ltd.: production and sale of industrial products and parts for door and window manufacturing. Sales: CAD 36.5 million. Employees: 147.

Decoustics: acoustic products. Sales: CAD 24.9 million. Employees: 108.

CertainTeed Gypsum Canada, Inc.: produces plasterboard. Sales: CAD 354 million. Employees: 677.

MEXICO, COLOMBIA AND VENEZUELA

Colombia

€1 = COP 2,844.28

Saint-Gobain de Colombia: manufactures flat glass for the automobile and building industries. Sales: COP 93 billion. Employees: 360.

Pabsa: manufactures coated abrasives and grinding wheels. Sales: COP 36.4 billion. Employees: 96.

FiberGlass Colombia (66.76 %): manufactures glass wool.

PAM Colombia SA: manufactures water supply pipes. Sales: COP 66.3 billion. Employees: 14.

Mexico

€1 = MXN 14.975

Saint-Gobain Glass Mexico: manufacture and processing of flat glass. Sales: MXN 1.45 billion. Employees: 387.

Saint-Gobain Sekurit Mexico: manufactures flat glass products for the auto industry. Sales: MXN 1.17 billion. Employees: 1,008.

Saint-Gobain Technical Fabrics SA de Mexico: produces insect screens. Sales: MXN 67.3 million. Employees: 76.

Venezuela

€1 =VEB 2,943.246

Saint-Gobain Abrasivos: manufactures coated abrasives and grinding wheels. Sales: VEB 24.2 billion. Employees: 105.

Saint-Gobain Materiales Ceramicos: produces silicon carbide. Sales: VEB 48.2 billion. Employees: 40.

Fivenglass (66.76 %): distributes insulation products.

BRAZIL AND ARGENTINA

Argentina

€1 = ARS 4.311

Vidrieria Argentina (VASA) (49%): manufactures flat glass for the building industry. Sales: ARS 170.1 million. Employees: 153.

Saint-Gobain Abrasivos Argentina: production and distribution of bonded abrasives. Sales: ARS 31.4 million. Employees: 30.

Saint-Gobain Isover Argentina: produces fiberglass for insulation. Sales: ARS 68.9 million. Employees: 149.

Barugel Azulay: distributes kitchen, bathroom and tiling products through 13 outlets. Sales: ARS 156.6 million. Employees: 286.

Rayen Cura Saic (60%): manufactures glass containers (bottles). Sales: ARS 211.9 million. Employees: 299.

Brazil

€1 = BRL 2.664

Saint-Gobain Vidros SA: manufactures and processes flat glass for the auto and building industries, glass containers (bottles, flasks, industrial jars), household glassware, glass fiber insulation and glass fibers for reinforcement. Sales: BRL 1.1 billion. Employees: 2,758.

Cebrace (50%): manufacturing and processing of flat glass. Sales: BRL 778.6 million. Employees: 819.

Saint-Gobain Abrasivos Ltda: manufactures bonded and coated abrasives. Sales: BRL 421.2 million. Employees: 1,302.

Brasilit: manufactures sheets and moldings. Sales: BRL 210 million. Employees: 862. Holds:

- Santa Veronica. Holds: Mineraçao Jundu (50%): operates quarries. Employees: 157. Carborundum Holding which holds Saint-Gobain Cerâmicas & Plásticos: manufactures and sells high-temperature insulation fibers and refractory products. Sales: BRL 178.1 million. Employees: 441.
- Saint-Gobain Materiais Cerâmicos: produces silicon carbide. Sales: BRL 152.9 million. Employees: 321.
- Saint-Gobain Weber (Quartzolit): produces tile glues. Sales: BRL 380.4 million. Employees: 730.

Saint-Gobain Canalização: manufactures ductile cast-iron pipes and connectors. Sales: BRL 341.8 million. Employees: 1,333.

Chile

€1= CLP 714.983

Inversiones Float Chile Ltda (49%): manufactures and processes flat glass. Holds: Vidrios Lirquen (51%): manufactures and processes flat glass. Sales: CLP 16.7 billion. Employees: 133.

Saint-Gobain Envases SA (51%): manufactures and sells glass containers (bottles). Sales: CLP 5.5 billion. Employees: 176.

ASIA-PACIFIC

South Korea

€1 = KRW 1,273.29

Hankuk Glass Industries Inc. (77%): company listed on the Seoul Stock Exchange. Production of flat glass. Sales: KRW 277.1 billion. Employees: 745. Holds:

- Hankuk Sekurit Limited (88.4%): flat glass processing for the auto industry. Sales: KRW 170.7 billion. Employees: 462.
- Hankuk Processed Glass Inc., Hankuk Lighting Glass, Hankuk Haniso, Hankuk Specialty Glass Product and 60% of Hankuk Specialty Glass. Total sales: KRW 94.5 billion. Employees: 225.

Indonesia

SG Winter Diamas: (75%). Employees: 225.

Japan

€1 = JPY 161.233

Saint-Gobain K.K.: produces superabrasives, technical ceramics, high-performance plastics. Sales: JPY 11.9 billion. Employees: 230.

Saint-Gobain TM KK (60%): manufactures high-performance refractory products. Sales: JPY 9.9 billion. Employees: 203.

Singapore

€1 = SGD 2.063

Saint-Gobain Abrasives Singapour: Sales: SGD 30.4 million. Employees: 43.

Thailand

€1 = THB 44.207

Saint-Gobain Sekurit Thailand (95%): processing for the automobile industry. Sales: THB 2.60 billion. Employees: 715.

Saint-Gobain Abrasives Thailand Ltd. (83.3%): Employees: 145.

Thai Gypsum Products Plc (99.7%): produces plaster and plasterboard. Sales: THB 2.98 billion. Employees: 437. Holds: Bpb Asia Ltd. Employees: 57.

Australia

€1 = AUD 1.635

Saint-Gobain Abrasives Australia Pty: Sales: AUD 90.3 million. Employees: 249.

CHINA

€1 = CNY 10.417

SG Hanglas Safety Shanghai: processing for the automobile industry. Sales: CNY 794.4 million. Employees: 770.

SG Sekurit Shanghai Co. Ltd.: processing for the automobile industry. Sales: CNY 84.6 million. Employees: 102.

Nanjing SG Hanglas (73.5%): Sales: CNY 221.2 million. Employees: 495.

Qingdao SG Hanglas Clfg Co. Ltd. (91.2%): Sales: CNY 316.5 million. Employees: 308.

Eurokera Guangzhou Co. Ltd. (50%): glass ceramic cooktops.

Kunshan Yongxin Glassware Co. Ltd.: Sales: CNY 179.7 million. Employees: 375.

Beijing SEPR Refractories (87.8%): manufactures fused-cast refractory products. Sales: CNY 264 million. Employees: 438.

SG Ceramic Materials China (Lianyungang): Sales: CNY 68.3 million. Employees: 27.

SG Ceramic Materials Mudanjiang Co. Ltd.: Sales: CNY 170.7 million. Employees: 289.

Shanghai SEPR Zirconium Products Co.: Sales: CNY 49.6 million. Employees: 9.

SG Abrasives Shanghai: produces abrasive grinding wheels. Sales: CNY 545.8 million. Employees: 546.

SGTF Hongfa Co. Ltd. (80%): Sales: CNY 113.4 million. Employees: 186.

SG Pipelines Co. Ltd.: ductile cast iron pipes. Sales: CNY 601.6 million. Employees: 929.

SG Xuzhou Pipelines Co. Ltd (75%): Sales: CNY 1,097.3 million. Employees: 482.

SG Foundry Co. Ltd.: Employees: 306.

SG Xugang Pipe Cie. Ltd. (Xuzhou General Iron And Steel Works): liquid cast iron production. Holds: Ductile Iron Pipe Co. (D.I.P.). Sales: CNY 1,721.4 million. Employees: 3,120.

La Maîson (Sgdb China): distribution of a full range of household equipment products. Sales: CNY 191.5 million. Employees: 440.

INDIA

€1 = INR 56.404

Saint-Gobain Glass India Ltd.: Sales: INR 8.48 billion. Employees: 731.

Saint-Gobain Sekurit India (85.2%): company listed on the Bombay Stock Exchange. Processing for the automobile industry. Sales: INR 670.2 million. Employees: 176.

Grindwell Norton Ltd (India) (51.3%): company listed on the Bombay Stock Exchange. Manufactures and sells abrasives and ceramics. Sales: INR 4.53 billion. Employees: 1,426.

SEPR Refractories India Ltd.: manufactures fused-cast refractory products. Sales: INR 576.3 million. Employees: 176.

India Gypsum Ltd.: produces plaster and plasterboard. Sales: INR 2.58 billion. Employees: 455.

OTHER COUNTRIES

Placogips SAE - Egypt: plaster production. Employees: 323.

SADIP - Saudi Arabia (20%): produces ductile cast-iron pipes.

Statement

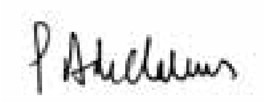
Statement by the person responsible for the Registration Document and the Annual Financial Report

“I hereby declare that to the best of my knowledge, and having taken all reasonable precautions, the information contained in the Registration Document is correct, and that no information has been omitted that would be likely to alter an investor’s opinion.

I further declare that to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of Compagnie de Saint-Gobain and the undertakings in the consolidation taken as a whole, and that the management report includes a fair review of the development and performance of the business, profit or loss and financial position of the Company and the undertakings in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

I obtained a statement from the Statutory Auditors at the end of their audit engagement in which they confirm having verified the information regarding the financial position and the accounts contained here within, and having examined the entire Registration Document.”

Courbevoie,
April 8, 2008



Pierre-André de CHALENDAR
Chief Executive Officer

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The following information is incorporated by reference in the Registration Document:
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- the consolidated financial statements and the parent company financial statements for the year ended December 31, 2005 and the Statutory Auditors' reports on the consolidated financial statements and the parent company financial statements for the same period, and the Group management report, which are contained in Registration Document no. D.06-0184 filed with the *Autorité des Marchés Financiers* on March 30, 2006.

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France

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Construction Products,
Building Distribution,
Packaging.

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