ANNUAL REPORT 2009

SAINT-GOBAIN

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AUTORITÉ DES MARCHÉS FINANCIERS

AMF

This registration document was filed with the *Autorité des Marchés Financiers* on March 31, 2010 under number D.10-0194, 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*.

Saint-Gobain
a Solid Group

For Saint-Gobain, 2009 was a historically difficult year, with all of our businesses and geographies hit by a crisis that was as exceptionally sudden as it was severe.

All of our teams responded swiftly and effectively by launching assertive action plans at different levels of the organization.

On the operations side, we focused on prices, which continued to trend upwards despite the deflationary environment and steep fall-off in unit sales. We also stepped up our cost-cutting program, which generated €1.1 billion in additional savings during the year. These measures drove a significant improvement in operating performance in the second half of the year.

We also further optimized our cash generation, by tightly controlling operating working capital, significantly scaling back capital expenditure and limiting acquisitions. As a result, free cash flow topped one billion euros.

Assertive action in these areas and the proceeds from the €1.5 billion rights issue in March 2009 helped to strengthen our balance sheet, so that our Group now boasts a robust financial position.

The worst is behind us. We have emerged from the crisis leaner and fitter, with modernized manufacturing resources and a distribution network whose reach is intact.

What's more, our strategy and growth model successfully demonstrated their effectiveness.

Increasing global awareness of the need for more sustainable forms of growth represents an outstanding opportunity for Saint-Gobain. After all, we already derive a third of our revenue from energy efficiency, solar and environmental protection products and solutions, and that proportion is set to rise.

Growing our business in emerging markets also remains on the top of our strategic agenda. The habitat and construction markets in these regions are very promising and some of them, such as Brazil and the Asian countries, have already rebounded. We intend to contribute fully to their growth dynamic.

We are also continuing to invest in research and development, choosing not to cut the budget despite the crisis.

All of this means that we are ideally positioned to reap the benefits of the recovery. Leveraging our robust fundamentals and clearly defined strategic vision, we intend to become the world's largest habitat and construction markets company.
By proposing innovative solutions for markets at all stages of development, we will capture opportunities wherever they exist while helping to invent materials for the home of the future.

Pierre-André de Chalendar,
Chief Executive Officer

Jean-Louis Beffa,
Chairman of the Board of Directors

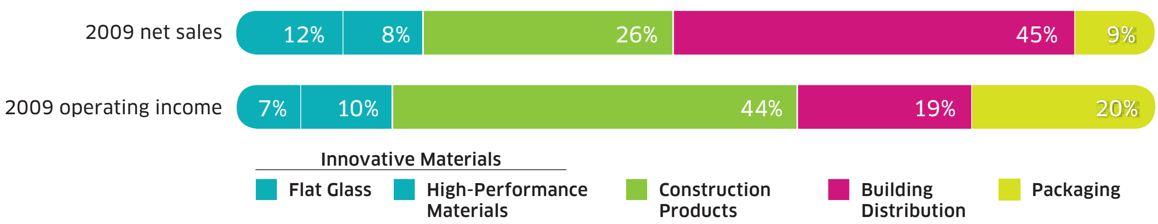
CONSOLIDATED FINANCIAL HIGHLIGHTS

Against the backdrop of an unprecedented economic and financial crisis affecting virtually all sectors and countries, trading for the Group was sluggish throughout 2009 in most of its businesses and geographic areas. However, there was a relative improvement over the second half of the year compared with the first half, in terms of both like-for-like growth and profitability, with profitability gains chiefly attributable to the cost-cutting programs.

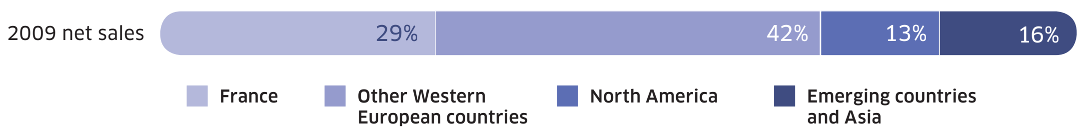
(in € millions)	2009	2008
Net sales	37,786	43,800
Operating income	2,216	3,649
Net income	241	1,437
Recurring net income[1]	617	1,914
Recurring earnings per share (in €)[1][2]	1.20	5.00
Net income attributable to equity holders of the parent	202	1,378
Earnings per share (in €)[2]	0.39	3.60
Total investments[3]	1,453	4,507
Equity (including minority interests)	16,214	14,530
Net debt	8,554	11,649
Non-current assets	28,149	28,026
Working capital	2,952	2,392

(1) Excluding disposal gains and losses, asset impairment charges and material non-recurring provisions charges (including for fines imposed on the Flat Glass Division by the European Commission).
(2) Earnings per share are calculated based on the number of shares outstanding at December 31.
(3) Capital expenditure and financial investments, excluding share buybacks.

BY SECTOR



BY GEOGRAPHIC AREA



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STRATEGY AND BUSINESSES OF SAINT-GOBAIN

STRATEGY: A WORLD LEADER IN THE HABITAT AND CONSTRUCTION MARKETS

Saint-Gobain, the world leader in the habitat and construction markets, designs, manufactures and distributes building materials, providing innovative solutions to meet growing demand, particularly in emerging markets, for energy efficiency and for environmental protection.

The looming shortage of fossil fuels and the pressing need to cut CO_2 emissions are driving developed countries to pass new regulations in favor of more energy-efficient buildings. This is encouraging the introduction of innovative construction techniques for new buildings along with new insulation standards for renovation projects. At the same time, emerging economies are experiencing rapid urban development combined with exponential growth in infrastructure needs and are looking for similar energy-efficient solutions. These challenges represent valuable opportunities for Saint-Gobain, which will be among the first to benefit from the environmentally-led growth in the construction market. The Group has successfully shifted from a product culture (glass, construction products) to a market culture. Today, we offer easy-to-use solutions that are aligned with local needs and practices in every segment of the construction market, from homes to public buildings and offices, and from newbuilds to renovation projects.

Our strategic vision was deployed in 2009 with a focus on several priority objectives: inventing and building the homes of the future, capturing growth opportunities in both emerging and mature markets, maintaining our technological advance and keeping our organization and production resources closely aligned with changing levels of demand.

BUILDING THE HOMES OF THE FUTURE

Saint-Gobain intends to play a leading role in the revolution that is about to take place in the habitat and construction sector, by developing solutions that will make buildings more energy efficient and help to protect the planet. That's why we are continuing to invest heavily in research and development. Considerable change is on the way in interior and exterior insulation solutions. Most of our materials (flat glass, glass wool, plasterboard, exterior wall and floor coating mortars) already help to make buildings more energy efficient and we intend to further improve their performance in this area in the future.

As strong supporters of renewable energies, we are focusing on solar power solutions with a presence across the value chain and the technology base, including photovoltaic panels, solar heating systems and solar concentrators. We intend to create a fully-fledged solar business over the next five years, generating sales of around € 2 billion compared with € 180 million in 2009.

At the same time, we are helping homeowners to save energy by developing innovative substrates for low-energy light-emitting diodes (LED) lighting systems.

The home of the future will be a comfortable, healthy haven, protected from the aggressions of the outside world. We offer decorative solutions, such as paintable woven glass fabrics, products to improve air quality, lighting management systems, and sound absorbing ceiling and plasterboard panels.

Lastly, the home of the future will be built in partnership with the main construction industry players, led by a new generation of contractors trained in energy-efficient construction techniques. As part of our commitment to helping customers and partners to embrace these green principles, the broad-based program to train builders in emerging energy-saving techniques and solutions was pursued during 2009.

Unique positioning

This sustainable habitat and construction markets strategy is being deployed through three Sectors, each with its own growth drivers contributing harmoniously to our expansion.

The Innovative Materials Sector, comprising the Flat Glass and High-Performance Materials Divisions, is spearheading our advance in over-the-horizon technologies. With its unique portfolio of materials and processes for the habitat, construction and industrial markets, the Sector embodies our innovation-oriented culture and accounts for 65% of our total research and development commitment.

The Construction Products Sector offers acoustic and thermal insulation products, wall facings, roofing products, piping and interior and exterior building solutions that deliver a wide range of benefits, including energy savings. Its diversified business base provides an unrivalled referral network, a global industrial footprint and a portfolio of high profile brands like Isover, PAM, Weber, Placo®, Gyproc® and CertainTeed.

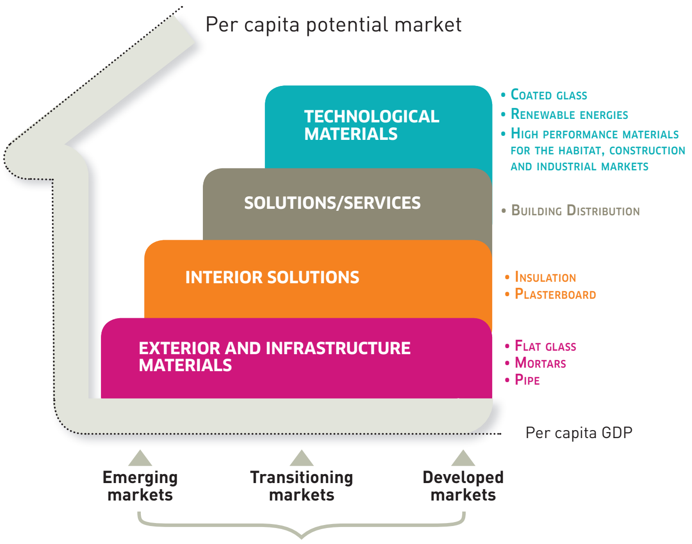
The Building Distribution Sector, which is sharply focused on services for building contractors, individuals with large DIY projects and large companies, has a detailed knowledge of the construction market and how it is changing. It plays a key role in helping contractors embrace new building renovation techniques.

The Packaging Sector is not involved in our sustainable home strategy. The world's no.2 manufacturer of glass containers, Saint-Gobain Packaging makes bottles for wines and spirits and jars for food products. The Sector also supplies glass containers for beer, fruit juices, soft drinks, mineral water and oil.

Driving faster growth in emerging markets

Solutions for every stage of the development cycle

Saint-Gobain, a global presence, local responses



A manufacturing presence in 64 countries, representing 64 springboards for growth.

Our strong mix of expertise means that we are uniquely positioned to meet the needs of attractive, fast-growing markets. Our competitive advantage is further enhanced by:

- Worldwide or European leadership in many of our businesses, with local solutions tailored to the needs of each market, whether emerging or developed.
- Solutions combining products and services adapted to customers' needs.
- Outstanding potential for innovation, thanks to our industrial expertise and broad-ranging skills in materials.
- An unrivalled portfolio of products and solutions in the fields of energy and the environment.

By proposing solutions for markets at all stages of development, we capture opportunities wherever they exist, in growing segments of mature markets and also of emerging markets. Our offering for mature markets includes technical solutions and solutions to make buildings more energy efficient, while in emerging markets, our products respond to the pressing need for infrastructure and new buildings. We intend to move up a gear in emerging economies, where the habitat and construction markets offer substantial growth potential due to the rapid pace of urban development and exponentially rising infrastructure needs.

For the third year running, Asia and emerging countries contributed more to consolidated net sales than North America, at 16% versus 13%.

Targeted expansion in emerging markets

EASTERN EUROPE AND RUSSIA

- Consolidate our position with a long-term strong ambition in Russia

ASIA

- Differentiate through innovation (China, South Korea)
- Extend our geographic reach

LATIN AMERICA

- Extend our geographic reach

AFRICA AND MIDDLE EAST

- Develop by plateform

Constantly adapting the organization and production resources to changing markets

In refocusing our strategy on the habitat and construction markets, we are being guided by a long-term vision of what the construction industry will look like in the future. This deep understanding of the market is part of our corporate DNA, reflecting nearly 350 years' experience that has made us a leader in most of our markets. One of the critical factors underpinning our enduring success has been and will continue to be the ability to swiftly adapt to changing economic environments, supported by strong values that serve as invaluable guideposts in uncertain times.

These are the principles we are applying today, to foresee and quickly respond to new economic conditions.

Despite the unprecedented crisis, last year we exceeded the operational and financial targets set in our assertive action plan.

Concerning operational targets, we maintained a positive price dynamic despite the deflationary environment, and by stepping up our cost-cutting program, we generated € 1.1 billion of savings over and above the amount provided for in the budget. These initiatives drove a sharp improvement in second-half income compared with the first six months, meeting the objective we had set ourselves.

One of our main financial targets was to increase cash generation. Free cash flow topped € 1 billion, also in line with our objectives, while working capital requirement was reduced by € 1.4 billion. Assertive action in these areas and the successful rights issue helped to strengthen our balance sheet. Debt was paid down by € 3.1 billion during the year, reducing the gearing ratio to 53% at December 31, 2009 from 80% at the previous year-end.

The crisis served to demonstrate the robustness of the Saint-Gobain business model. After a particularly challenging year in 2009, the overall economic environment should improve in 2010 but with widely varying recovery rates depending on the country. We have a number of core strengths that will serve us well in the post-crisis environment and help us to meet our target of sharply increasing operating income. These include competitive manufacturing and marketing resources, leading edge research capabilities and leadership positions in the very buoyant energy efficiency markets, particularly solutions to make buildings more energy efficient.

Operations in 64 countries

Algeria	Malaysia
Argentina	Mexico
Australia	Morocco
Austria	Netherlands
Belgium	New Zealand
Bhutan	Norway
Brazil	Peru
Bulgaria	Poland
Canada	Portugal
Chile	Qatar
China	Romania
Colombia	Russia
Czech Republic	Saudi Arabia
Denmark	Serbia
Egypt	Singapore
Estonia	Slovakia
Finland	Slovenia
France	South Africa
Germany	South Korea
Greece	Spain
Hungary	Sweden
India	Switzerland
Indonesia	Syria
Ireland	Thailand
Italy	Turkey
Japan	Ukraine
Jordan	United Arab Emirates
Kuwait	United Kingdom
Latvia	United States
Lebanon	Venezuela
Lithuania	Vietnam
Luxembourg	Zimbabwe

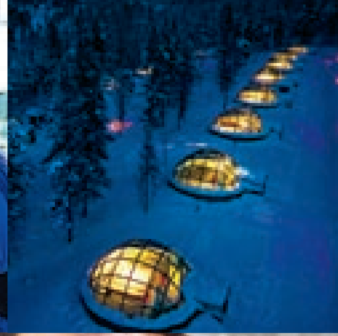
Ten-Year Consolidated Financial Highlights

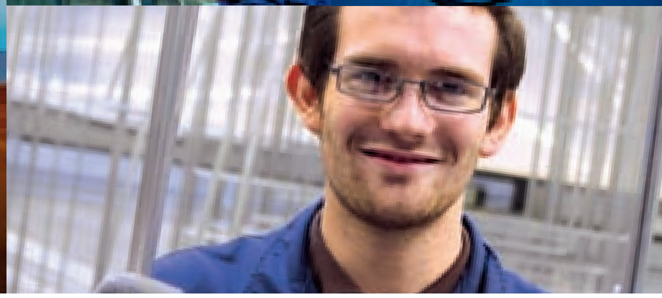
(in € millions)	2009	2008	2007	2006	2005[1]	2004 (IFRS)	2004	2003	2002	2001	2000	1999
Net sales[2]	37,786	43,800	43,421	41,596	35,110	32,172	32,025	29,590	30,274	30,390	28,815	22,952
Operating income	2,216	3,649	4,108	3,714	2,860	2,743	2,632	2,442	2,582	2,681	2,693	2,314
Net income	241	1,437	1,543	1,682	1,294	1,275	1,120	1,065	1,074	1,174	1,642	1,389
Recurring net income[3]	617	1,914	2,114	1,702	1,284	1,289	1,122	1,020	1,051	1,057	1,026	883
Recurring earnings per share (in €)[3][4]	1.20	5.00	5.65	4.62	3.72	3.78	3.29	2.93	12.32 3.08*	12.40	12.04	10.12
Net income attributable to equity holders of the parent	202	1,378	1,487	1,637	1,264	1,239	1,083	1,039	1,040	1,134	1,517	1,226
Earnings per share (in €)[4]	0.39	3.60	3.97	4.44	3.66	3.63	3.18	2.99	12.20 3.05*	13.30	17.80	14.05
Total investments[5]	1,453	4,507	3,238	2,775	8,747	2,197	2,194	1,911	2,061	2,246	4,694	3,479
Equity (including minority interests)	16,214	14,530	15,267	14,487	12,318	10,863	11,806	11,310	11,542	12,348	11,724	11,151
Net debt	8,554	11,679	9,928	11,599	12,850	6,218	5,566	5,657	7,012	7,792	8,217	6,306
Non-current assets	28,149	28,026	26,041	26,274	26,763	17,183	17,515	17,237	18,840	19,678	19,530	16,909
Working capital	2,952	2,392	2,540,[6]	2,451	2,324	3,181	4,943	5,247	3,951	3,075	3,222	2,612
Employees (at December 31)	191,442	209,175	205,730	206,940	199,630	181,228	181,228	172,811	172,357	173,329	171,125	164,698

(1) Including BPB from December 1, 2005.
(2) Including other revenue of €267 million in 2009, €318 million in 2008, €295 million in 2007 and €273 million in 2006.
(3) Excluding disposal gains and losses, asset impairment charges and material non-recurring provision charges (including for fines imposed on the Flat Glass Division by the European Commission).
(4) Earnings per share are calculated based on the number of shares outstanding at December 31.
(5) Capital expenditure and financial investments, excluding share buybacks.
(6) Working capital adjusted for the €560 million provision set aside in 2007 for fines imposed on the Flat Glass Division.
** Adjusted for the June 27, 2002 four-for-one stock-split.*

INNOVATIVE
MATERIALS

FLAT GLASS





With more than 33,600 employees in 40 countries, Saint-Gobain Flat Glass is the leading flat glass manufacturer in Europe and the second largest worldwide[1]. It comprises four main businesses: flat glass manufacturing, processing and distribution of glass for the building industry, automotive, aircraft and railcar glazing, and distribution of glass products, photovoltaic modules and systems for the solar energy market. Flat glass is manufactured in large industrial facilities on long float lines that produce everything from basic clear and colored grades to more sophisticated types with metallic oxides or other special coatings for use in a wide range of applications, such as insulation and solar control glass. The Flat Glass Division has 34 float lines worldwide, including 13 operated through joint ventures. A new line currently under construction in Egypt is scheduled to come on stream in mid-2010. In addition to the core product range, the Division manufactures 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[1] in ceramic glass hobs.

Over a third of the glass produced by our flat glass plants is further processed before being sold, notably for the building and automotive industries. Conducted through a network of downstream processing and distribution companies, the Building Transformation business covers a broad spectrum of applications, including wall facings, large architectural projects, urban amenities, industrial joinery, furniture, bathroom fixtures and interior decoration. All of these applications have benefited from ground-breaking innovations, such as low-emission (low-E) glass, solar-control glass, shatterproof glass, fireproof glass, and Quantum Glass™ active glazing such as electrochromic (electrically-controlled) glass.

The Division also offers specialty glass products that are well positioned in their respective markets, such as oven door and refrigerator glass (Euroveder), industrial optics and industrial refrigeration (Sovis).

As a glass manufacturer and processor, the Flat Glass Division is stepping up growth in the renewable energy segment, with a presence across the solar value chain, from the manufacture of special glass for photovoltaic modules, solar concentrator mirrors and photovoltaic cells, to the distribution and installation of complete photovoltaic systems. The Division also manufactures automotive glazing through its Saint-Gobain Sekurit subsidiary, which supplies major European and global carmakers with windshields, side windows, rear windows, glass sun-roofs and other ready-to-assemble modules. These are all complex products featuring advanced toughening, lamination and tinting technologies and high-performance coatings. They are changing very quickly to deliver the greater visibility (particularly with the introduction of panoramic windshields), insulation and soundproofing that give today's users the safe, comfortable driving experience they expect. The Division also serves other segments of the transportation industry with glazing products for aircraft, railcars, trucks and armored vehicles.

Businesses and Products	Main Applications	Main Competitors	Competitive Ranking[1]
Commodity products Flat glass	• Plain & tinted glass, coated glass	• NSG (Japan) • Asahi (Japan) • Guardian (United States) • P.P.G. (United States) • Cardinal (United States) • Various Chinese glassmakers	
Building products manufacturing and distribution	• Glass for construction, building and interior design; furniture glass		No. 1 in Europe No. 3 worldwide
Automotive glazing	• Clear and safety glass for the automotive OEM and after markets, and for the aircraft and railcar after markets		No. 1 in Europe No. 2 worldwide
Solar energy solutions	• Photovoltaic systems, solar heating and solar thermodynamic systems		No. 1 in Europe No. 2 worldwide for the production of glass for photovoltaic systems
Specialty glass	• Fireproof glass, nuclear safety glass, industrial optics, glass for household appliances and industrial refrigeration	• Schott (Germany)	Leader or co-leader worldwide

(1) Source: Saint-Gobain

INNOVATIVE
MATERIALS

HIGH-PERFORMANCE MATERIALS

With some 26,500 employees, the High-Performance Materials Division delivers high value-added solutions to the complex problems encountered by the manufacturing and construction industries, leveraging proficiency in three main types of materials —mineral ceramics (though the Ceramics, Grains & Powders, Abrasives and Crystals businesses), performance polymers (Performance Plastics) and glass fabrics (Textile Solutions). The Division has acquired leading edge expertise in a range of technologies running across these businesses, enabling it to leverage all the benefits of these highly complementary materials and to design innovative composites.

With its unique portfolio of materials and technologies, the High-Performance Materials Division can make a decisive contribution to addressing the challenges currently facing the habitat and construction industry. In the area of photovoltaic systems, for example, the Division supplies silicon substrate cutting tools and has developed plastic films for making flexible solar modules.

Similarly, many of the Textile Solutions business's applications help to improve homes and protect the environment.

Many of the Division's solutions are developed jointly with customers, in order to match their needs as closely as possible. Examples include plastic products (such as films for e-book reader displays or pharmaceutical products), highly sophisticated refractory products for the metalworking and glassmaking industries, and crystals for detection systems.

The High-Performance Materials Division allocates a high proportion of net sales to research and development (over 4% in 2009). The research and development commitment is focused on large projects and on many specialist areas, demonstrating the immense potential of these types of materials to address today's most critical habitat and construction, energy and environmental challenges. Examples of these projects include:

- *Ceramic fuel cells* for decentralized power generation, a solution that is particularly well suited to meeting home energy needs.
- *Diesel particulate filters* to reduce automotive emissions. Already on the market, Ceraclean® filters capture 99% of diesel exhaust particles.
- *Solar solutions,* a key growth area for the High-Performance Materials Division. The Division has developed a range of solutions to support deployment of photovoltaic technologies such as *performance plastic films and foams* for photovoltaic panels, including protective films for flexible panels, and *abrasive grains* used to cut silicon slabs intended for silicon-based photovoltaic cells, which help to reduce the cell's production cost. It also offers a range of components for concentrator-based solar power plants, such as *ball bearings* and *heat receptors and exchangers*, and is developing energy *storage solutions* for solar power plants.

The Division has two dedicated research centers, in the United States (in Worcester) and in France (in Cavaillon), that are supported by a variety of other research and development teams based at its large industrial facilities. In addition, the Saint-Gobain research centers in Shanghai, China, and Aubervilliers, France, also work on High-Performance Materials projects.

It also has a modern and efficient manufacturing base, with a network of specialized plants in over 37 countries.

In 2009, 31% of High-Performance Materials sales were generated in Western Europe, 38% in North America and 31% in Asia and emerging markets.

In last year's very challenging economic environment, the Division consolidated and strengthened its businesses, and also increased capacity at certain plants in emerging markets (China, India, Mexico) to meet growing local demand.

(1) Source: Saint-Gobain.

The mineral ceramics unit comprises three businesses:

The **Ceramic Materials** business extends from raw materials conversion (Grains & Powders) to the manufacture of sophisticated products representing unique, high value-added solutions closely aligned with each customer's needs. Examples include glass furnace refractories (Sefpro range), kiln refractories (HPR range) and industrial applications (advanced ceramics).

In the value chain, the Grains & Powders business comes just after the production of silica and zirconium sands, bauxite and other mineral raw materials. Saint-Gobain is the world leader[1] in the purification, crushing, melting and sintering of these materials. It sells high-value suspensions and powders for the ceramics industry (through the Silicon Carbide unit), aluminum oxide and zirconium oxide abrasive grains, and finished products. Typical products include pigment powders for home ceramic tiles and proppants used to enhance oil reservoir recovery rates.

These businesses were fairly severely hit by large scale inventory drawdowns by their industrial customers at the beginning of the year.

The global market leader[1] in Ceramics, Saint-Gobain serves a wide range of industries with products that deliver the remarkable properties of high-performance ceramics, such as exceptional mechanical strength, hardness, heat resistance, controlled porosity, and light weight. Two examples of applications are diesel particulate filters and glass furnaces. The latter are made with refractory ceramics that are particularly sophisticated, especially furnaces that produce specialty glass for flat screen displays. Refractory ceramics are also used in the steel industry. In addition to being world leader[1] in these traditional markets, we have also launched ambitious development projects to address emerging challenges and in 2010, we are planning new industrial projects in India.

Abrasives is another business in which Saint-Gobain leads the world, thanks to its expertise in the ceramic grains on which most abrasive products are based. Saint-Gobain Abrasives covers the entire spectrum of abrasives, providing expertise and solutions at every process stage, from slabbing and cutting to polishing, grinding and surface-finishing. The markets served are also wide-ranging, including habitat and construction (from rough cutting of concrete walls and floors to sanding of wooden floors and polishing for decorative finishes), heavy industry (in steelworks and paper mills), and manufacturing and high-tech industries (automotive, aerospace and electronics). Innovation is a key factor in this business, driving the development of increasingly efficient and reliable products that are easier to use and longer lasting. We are investing in new capacity, particularly in applied abrasives, to keep up with the very rapid pace of market growth in Asia; however, our operations in Europe have been harder hit than other regions by the crisis and resulting inventory drawdowns, and they are also taking longer to recover.

Crystals are used in many advanced technologies for their optoelectronic and other unique properties. For example, crystals are used to make light-emitting diodes (LEDs), a highly energy-efficient lighting solution for the future that we are actively helping to develop by increasing our LED production. In addition, we supply sensors used in medical imaging machines and airport luggage scanners.

Thanks to **Performance Plastics**, the High-Performance Materials Division has developed considerable technological expertise in the production of polymers delivering such remarkable properties as high-temperature resistance, chemical stability and purity, and special mechanical and surface properties. As such, they are in high demand for a broad range of new applications in the automotive, aerospace, healthcare and construction industries. One example is the architectural membranes made of fluoropolymer-coated glass fabric, which are now widely used in major construction projects for their robustness, light weight, ultra-violet resistance, soil resistance, and acoustic correction capabilities. The Performance Plastics business comprises three units: Composites (films, foams and coated fabrics for construction and industry), Bearings & Seals (for the automotive and aerospace industries), and Fluid Control Systems (for the healthcare and electronics industries). In 2009, the business's new plant in Shanghai, China, came on stream, manufacturing films and foams for the electronics and construction industries. In the United States, the business is developing products with very promising applications, including films for photovoltaic cells and for e-book reader displays.

The **Textile Solutions** business makes and sells glass fiber yarns and fabrics, chiefly for habit and construction applications. We operate in some of the most buoyant segments of these markets, with groundbreaking solutions such as glass fabrics for façade insulation, a technique increasingly used in Europe for renovation work and new buildings. Another example of development work is the range of paintable glass fabrics, a simple, elegant interior decoration solution that we have further enhanced with acoustic correction capabilities. In 2009, we launched a paintable wall covering, marketed under the Novelio brand, that absorbs volatile organic compounds (VOCs) to improve indoor air quality. Challenging market conditions in 2009 forced the business to concentrate production on its most cost-effective sites.

(1) Source: Saint-Gobain

High-Performance Materials

Businesses and Products	Main Applications	Main Competitors	Competitive Ranking[1]
Ceramics			
Grains & Powders	• Raw materials for abrasives and ceramics industries • Mineral pigments for domestic ceramics • Catalyst substrates for the petrochemical industry • Proppants for the oil industry • Ceramic balls for micro-grinding applications	• Carbo Ceramics (United States) • Imerys (France)	• 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) • RHI (Austria)	• No. 1 worldwide in refractories for glass and non-ferrous metal industries
Advanced ceramics	• Fine ceramics for the home appliance, automotive, aviation, aerospace, electronics, nuclear, oil and petrochemical industries	• Kyocera (Japan) • CeramTec (Germany) • NGK Insulators (Japan)	• No. 1 or No. 2 worldwide, depending on the application
Diesel particulate filters	• Filters to abate diesel engine soot and NO_x emissions	• Ibiden (Japan) • NGK (Japan) • Corning (United States)	• No. 3 worldwide
Crystals	• Sensors for medical imaging, oil exploration and security and safety applications • Substrates, components & equipment for the semi-conductor, light-emitting diode and optical industries	• Kyocera (Japan) • II-VI (United States)	• No. 1 worldwide in scintillation systems
Abrasives			
Agglomerated abrasives	• Roughing, grinding and sharpening of materials and tools in aerospace, automotive, metal processing, steel and bearings industries	• Winterthur Technology Group (Switzerland) • Noritake (Japan) • Tyrolit (Austria)	• World leader in every abrasive business
Thin grinding wheels	• Cutting, deburring, metal processing, maintenance, energy, steel, construction and DIY applications	• Tyrolit (Austria) • Comet (Slovenia) • Pferd (Germany) • Rhodius (Germany)	
Coated abrasives	• Surface treatment and sanding applications in aerospace, automotive, furniture, hand tools, steel, jewelry, watchmaking & biomedical industries	• 3M (United States) • Hermes (Germany) • Klingspor (Germany) • SIA (Switzerland)	
Superabrasives	• Precision tools for aerospace, automotive, bearings, cutting tools, electronics & composite materials industries • Glass industry	• Asahi (Japan) • Noritake (Japan) • Winterthur Technology Group (Switzerland)	
Construction Products	• Building materials industry • Diamond saws • Drills	• Husqvarna (Sweden) • Tyrolit (Austria)	
Performance Plastics			
Bearings and seals	• Friction parts for automotive, aerospace and industrial machinery applications	• Trelleborg (Sweden) • Glacier Garlock (United States) • Oiles (Japan)	• No. 1 worldwide in automotive bearings
Fluid control systems	• Tubes, valves and connectors for fluid control systems in agri-food, bio-medical, automotive & semiconductor industries	• Entegris (United States) • Stedim (France) • Parker Hannifin (United States) • Kuriyama (Japan)	• No. 2 worldwide in specialty pipes
Films, foams & coated fabrics	• Adhesive coatings, architectural units, radomes, protective gear, cooking surfaces, composite material molds, metal-glass seals for the automotive and construction industries	• 3M (United States) • Rogers (United States) • DuPont (United States) • Nitto Denko (Japan)	• No. 1 worldwide in fluoropolymer-coated fabrics
Textile Solutions			
Glass fiber yarn	• Bobbins of glass fiber yarn for the textile industry	• AGY (United States) • PPG (United States) • Nittobo (Japan)	• No. 1 worldwide in construction fabrics
Reinforcement fabrics for construction and manufacturing	• Wall facing reinforcements, paintable fabrics, mosquito netting, strengtheners for roof waterproofing systems, geotextiles	• Johns Manville (United States) • Phifer (United States) • Vitrulan (Germany)	• No. 1 worldwide in paintable fabrics • No. 1 worldwide in construction fabrics

(1) Source: Saint-Gobain

CONSTRUCTION PRODUCTS

With nearly 47,000 employees in 55 countries, Saint-Gobain Construction Products markets interior and exterior solutions through its Gypsum, Insulation, Exterior Fittings, Pipe and Industrial Mortars divisions. The Sector has interior and exterior products for every need, both technical (such as noise control, insulation, sheathing or waterproofing) and non-technical (for example, easy installation or stylish design), backed by highly professional teams, well-known brands and robust strategic positions.

In the coming years, we will continue to expand in the renovation markets by providing innovative energy-saving and noise control solutions, leveraging growing demand for sustainable habitat development to drive growth in these areas.

INTERIOR SOLUTIONS

Gypsum

The Gypsum Division is the world's leading supplier of plasterboard and plaster[1]. Its operations consist of extracting gypsum—an abundant mineral found in the earth's crust—and converting it into a wide range of plaster-based products used for construction and decoration.

Our comprehensive line-up of plaster-based solutions for partitions, wall linings, ceilings and floors meet high technical specifications in terms of fire and damp resistance and thermal and acoustic insulation, while also responding to customer demand for a comfortable and visually pleasing home environment.

With 135 production facilities worldwide, the Gypsum Division aims to become the preferred supplier of sustainable, innovative solutions for building interiors and light buildings. It offers its customers easy-to-install systems complying with increasingly exacting energy efficiency, safety and comfort specifications.

Marketed under well-known brands such as Placo®, Gyproc®, Rigips®, British Gypsum® and CertainTeed®, the traditional and light plaster product ranges hold significant market shares in both developed countries and emerging markets. Another strong avenue for growth is the soundproof ceilings and metal frames niche, in which the division's technical expertise is highly appreciated by professional customers, thanks to banners such as Ecophon®, Eurocoustic®, API®, Gabelex® and Plafometal®.

Identified reserves at our 75 gypsum quarries represent several decades of production at current extraction rates. We also use large quantities of synthetic gypsum and have set up plasterboard recycling systems to expand our sources of raw material.

The Gypsum Division's strategic objectives are to:

- Achieve profitable growth by investing in equipment and resources to bolster its worldwide leadership position.
- Leverage research capabilities to drive product development and showcase high value-added systems.
- Set up production facilities in emerging countries to keep pace with expansion in local construction markets, particularly in Eastern Europe, North Africa and Asia.
- Continue implementing programs to enhance the performance of manufacturing infrastructure, cut costs and reduce energy consumption.
- Generate further synergies with the Insulation and Industrial Mortars Divisions.

(1) Source: Saint-Gobain

Insulation

The Insulation Division offers thermal and acoustic insulation solutions made from mineral wool (glass, rock or Ultimate®), foam (expanded polystyrene foam, extruded polystyrene foam or polyurethane) or hemp, which are marketed worldwide under the Isover® brand, in the United States under the CertainTeed® brand and in Japan under the Mag® brand.

Mainly used in the building industry, these increasingly energy-efficient solutions make new and renovated buildings more comfortable, while also reducing the energy used for heating and cooling and the related greenhouse gas emissions.

Most countries have tightened their regulations on thermal and acoustic insulation in the construction industry, driving significant growth in these market segments.

The Insulation Division also develops specific insulation solutions for industrial facilities and technical applications such as air conditioning and heating systems, shipbuilding and automobile production, and household appliances.

The Division insulates one in three houses in Europe and one in five in the United States. Taking all insulating materials into account, it ranks number one worldwide in insulation, and has operations in all continents as a direct producer or through licensees or as a reseller[1].

The Insulation Division's strategic objectives are to:

- Extend Isover's *global leadership* in mineral wool insulation through technological innovation and the development of systems and products.
- Build up a range of *insulation solutions made from a variety of materials*, in addition to the basic mineral wool lineup, to meet the varied needs of different markets and applications.
- Develop patented accessories in order to offer *comprehensive insulations systems* for exterior walls, roofs and siding, and for *building air tightness* (membranes and Vario® systems, for example).
- Promote *sustainable building* principles with the Isover® multi-comfort "passive house", which combines superior energy efficiency with a very comfortable living environment.
- Establish a strong *local presence* by continuously promoting transfers of technical, commercial and marketing expertise between the subsidiaries and the head office in order to respond more effectively to each market's needs and expectations.
- Actively contribute to *sustainable development* by monitoring and improving the environmental, health and financial performance of its plants, facilities, products and services, and by promoting the product lineup's contribution to environmental protection and *sustainable building*.

EXTERIOR
SOLUTIONS

Exterior Fittings

CertainTeed®, the Group's Exterior Fittings brand, is a leading player[1] in the North American habitat and construction market, with a comprehensive array of products designed specifically for North-American-style homes. The roofing line-up consists of top-of-the-line asphalt and composite shingles available in a wide range of styles and colors, while for exterior walls, CertainTeed offers a broad selection of easy-to-maintain vinyl and fiber cement siding products that combine beauty and durability. Other exterior products for the homebuilding and renovation market include fences, railings and decks made from PVC or composite materials.

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

The Exterior Fittings business's strategic objectives are to:

- Extend CertainTeed's leadership of the US market and enhance the brand's visibility in Canada.
- Become the benchmark supplier of innovative construction products and systems.
- Broaden the product range and develop new distribution channels.
- Contribute actively to sustainable development by enhancing the environmental profile of its plants and products.

Industrial Mortars

After acquiring Maxit in early 2008, the Industrial Mortars business—conducted under the Weber® brand—further extended its market leadership in 2009 by setting up a joint venture in the Middle East with the Sodamco Group, which has enabled us to establish a presence in five more countries. The world's largest industrial mortar producer[1], Weber is also ranked No.1 worldwide for tile adhesives and grouting, and No.1 in Europe[1] for exterior wall insulation systems and flooring systems. With nearly 200 industrial facilities in 42 countries, Weber offers product solutions that meet the specific needs of local markets, as well as a range of local services.

Industrial Mortars comprises three business lines:

- Industrial mortars, marketed under the Weber® global brand
- Expanded clay pellets, mainly sold under the Leca® brand
- Site and plant equipment, supplied through m-tec®.

Weber® offers a comprehensive line-up of exterior wall decoration, protection and insulation solutions, products and services for the residential, commercial and industrial building and renovation markets.

(1) Source: Saint-Gobain

The mortars are available in a wide range of colors and surface effects with a choice of technical functions, such as insulation, repair and damp-proofing of exterior walls.

In Europe, the offer is adapted to each local market, in terms not only of insulating performance but also of architectural styles and the general environment.

Weber's tiling products for the building and renovation markets represent safe, easy-to-implement solutions based on local tiling techniques. They comprise cement and resin-based adhesives and grouting for fixing all types of tiles on all types of surfaces, and for decorative and technical joints.

Flooring solutions are designed for a wide range of applications, such as new or renovated concrete toppings, screed to create a level base for other flooring, and colored mortars for a decorative effect. The line-up also includes technical products for high traffic areas such as shopping malls or for applications that pose specific technical challenges, such as underfloor heating systems.

The construction mortars offer comprises a full range of technical mortars for repair, sealing, blocking, pointing, renovation and waterproofing applications.

By providing practical solutions to problems routinely encountered during construction and renovation projects, they help to smooth the workflow and make life a lot easier for the project manager.

Lastly, to ensure that all the needs of building and renovation contractors are met, from construction to finishing, Weber® also markets a range of masonry construction and assembly products and a selection of interior wall renders.

Leca® supplies expanded clay pellets for use in road construction and civil engineering projects as well as in light concrete and mortars, reducing the weight of materials handled and used on construction sites.

Lastly, m-tec® offers turnkey solutions to on-site mortar needs, including plants, logistics systems, mobile silos, mixing, pumping and conveyor systems.

Pipe

Leveraging its more than 150 years' experience of the water supply market, the Pipe Division offers comprehensive solutions that meet the most exacting specifications. Customers choose Saint-Gobain Pipe for the durability, ease of installation, performance and reliability of its products and services, and the depth and breadth of its offer.

Fully committed to the principles of sustainable development, the Pipe Division develops solutions that have a remarkably small environmental footprint. Because they are durable, water-resistant and recyclable, they reduce consumption of water and raw materials.

The Pipe Division designs and sells:

- Complete ductile cast iron drinking water, irrigation, sanitation and rainwater drainage pipe systems.
- Pipe systems for industrial utility and process circuits.
- Fire sprinkler systems.
- Valves, sprinklers and connectors for water, sanitation, sprinkler and irrigation systems.
- Complete cast iron wastewater and rainwater drainage pipe systems for the building industry.
- Ductile cast iron and steel municipal castings.

With a view to ensuring a local footprint, the Pipe Division is organized internationally around three units, Water & Purification Systems, Roadworks & Utilities and Construction.

The Division ranks No.1 worldwide(1) for the production and marketing of ductile cast iron pipe systems and No.1 in Europe(1) for municipal castings and cast iron wastewater drainage systems.

The Pipe Division has a global presence, selling its products and services in over 120 countries in 2009 from manufacturing bases in France, Germany, Spain, the United Kingdom, Italy and Brazil as well as from more recently opened plants in China, the Czech Republic and South Africa. With 11,000 employees, it operates in the world's major markets, leveraging its technical, sales and logistics expertise to meet the needs of the most demanding customers.

(1) Source: Saint-Gobain

Businesses and Products	Main Applications	Main Competitors	Competitive Ranking[1]
Gypsum			
• Plasterboard • Plaster: construction plaster and other specialty plasters • Ceiling tiles • Soundproof ceilings • Metal frames & ceilings	• Partitions, ceilings & flooring for residential and non-residential buildings • Interior thermal insulation • Soundproofing solutions • Interior decoration • Fire protection solutions • Ceramic & metal moldings	• Lafarge (France) • Knauf (Germany) • USG (United States) • National Gypsum (United States) • Georgia Pacific (United States) • Yoshino (Japan) • BNBM/Taihe (China) • Armstrong (United States, Europe)	• World leader
Insulation			
• Glass wool • Rock wool • Ultimate® mineral wool • Expanded polystyrene foam • Extruded polystyrene foam • Polyurethane • Hemp insulation • Vapor barriers and waterproofing and air tightness membranes	• Thermal and acoustic insulation of residential, office and industrial buildings • Technical insulation for industrial facilities and air conditioning and heating systems • Insulation for ships, trains, cars, household appliances, etc. • Substrates for hydroponic cultivation	• Owens Corning (United States, China) • Johns Manville (United States) • Rockwool (Europe) • URSA (Europe) • Knauf (United States, Europe) • BASF (worldwide) • Dow Chemicals (worldwide) • Kingspan (Europe) • Technonicol (Russia)	• World leader, all insulating materials combined • World leader in mineral wool
Exterior Fittings			
• Siding • Vinyl fences, decks, railings • Asphalt and composite roofing shingles	• Individual homes • Newbuild and renovation markets	• Owens Corning (United States) • GAF (United States) • Trex (United States) • LP (United States) • Ply Gem (United States) • James Hardie (United States) • Fortune Brands (United States)	• No.2 in the United States for siding • No.3 in the United States for roofing shingles
Industrial Mortars			
• Wall rendering products • Tile adhesive & grouting • Flooring screed • Technical mortars • Interior rendering • Masonry mortar • Expanded clay aggregate	• Exterior wall decoration and protection • Exterior thermal insulation • Stonework renovation • Tile fixing • Decorative and technical pointing • Tile cleaning and protection • Concrete toppings and leveling compounds • Technical and decorative flooring • Building waterproofing • Concrete repairs • Masonry building and finishing • Expanded clay pellets • Civil engineering and highway bedding solutions	• Degussa (Germany) • Mapei (Italy) • Sto (Germany) • Materis (France) • Sika (Switzerland) • Baumit (Austria) • Ardex (Germany)	• World leader
Pipe			
• Complete piping systems in ductile cast iron, pipe connectors and fittings • Ductile cast iron and steel manhole covers • Complete cast iron wastewater and rainwater drainage systems for the construction industry	• Drinking water systems • Irrigation • Sewerage systems • Sprinkler systems • Wastewater and rainwater drainage in buildings • Utility access (manholes)	• Xinxing (China) • Electrosteel (India) • US Pipe (United States) • Mac Wane (United States) • Kubota (Japan) • Buderus (Germany) • Tyco (United States) • East Jordan/Norinco (United States/France) • Wavin (Netherlands) • PipeLife (Austria)	• World leader in ductile cast iron pipe • European leader in ductile cast iron roadwork components • European leader in cast iron components for the building industry

(1) Source: Saint-Gobain

BUILDING
DISTRIBUTION

With nearly 4,200 outlets in 26 countries and more than 67,500 employees worldwide, our Building Distribution Sector is the largest distribution network for building materials in Europe, the region's leading distributor of plumbing and heating products, and the world's leading distributor of ceramic tiles. It serves the building, renovation and interior decoration markets and its customers include builders, architects, interior decorators, DIY enthusiasts and large corporations.

Since it was created in 1996, the Sector has enjoyed rapid growth in France and expanded gradually to the United Kingdom, Germany and the rest of Europe. It also has operations in North and South America and in China.

In 2009, the Sector focused on improving its sales and operating performance by targeting the strategic priorities that come with being a market leader: constantly pushing back the boundaries to offer customers the best possible service, promoting the most energy-efficient solutions to reduce energy use and enhance the energy efficiency of new and renovated buildings, and strengthening its networks by investing in developing its teams and leveraging synergies between its various banners.

A network of strategically related, high-profile banners...

The Building Distribution Sector boasts a unique network in Europe, thanks to its diverse range of strategically related, high-profile banners, which include Point.P Matériaux de Construction and Lapeyre in France, Jewson and Graham in the United Kingdom, Raab Karcher in Germany, the Netherlands and Eastern Europe, and Dahl and Optimera in the Nordic countries. It also operates in the United States through Norandex, in Brazil through Telhanorte and in Argentina through Barugel, and is represented by the La Maïson and Arting banners in China.

Each of these banners has its own specific identity and market position, whether geared to building professionals or DIY enthusiasts, contributing to the marketing strength of the network as a whole. The Sector deploys best practices in all its host countries, while maintaining a high level of responsiveness to the local market. This organization creates a strong growth dynamic by promoting the development of a particularly abundant product offer that is tailored to the various customer profiles and reflects their needs and expectations in terms of products, services, styles and trends.

... mainly in Europe...

Two main banners serve the building and renovation markets in France. Market leader Point.P Matériaux de Construction primarily targets building professionals, working alongside specialist banners like Cedeo for plumbing and HVAC systems, Pum Plastiques for plastic products and solutions for the building and civil engineering markets, Dispano for wood and wood-based products and SFIC for interior fittings.

Lapeyre specializes in home improvement solutions, mainly for homeowners, offering a range of products and services including fitted kitchens and bathrooms, interior building solutions, external joinery, and wall and floor coverings.

In the United Kingdom and Ireland, the Sector targets contractors and small and medium-sized companies via a network of general and specialized banners. Jewson, a builders' merchant, and Graham, a plumbers' merchant, are the two main banners in the United Kingdom, while JP Corry supplies building materials to industry professionals and homeowners in Ireland.

The Sector's main general banner in Germany, the Netherlands and Eastern Europe is Raab Karcher, which supplies building materials to industry professionals. Local and/or specialist banners extend the Sector's coverage in the region.

(1) Source: Saint-Gobain

In Northern Europe, Dahl is the foremost distributor of plumbing and heating solutions in Scandinavia, while Optimera is one of the leading builders' merchants.

In Southern Europe, the Sector is present in Spain, Portugal and Italy under general banners like Point.P Materiales de Construcción and Vemac, as well as specialist banners like Distriplac and Di Trani for interior fittings and Discesur for tiles.

... but also in other parts of the world

The Building Distribution Sector also has operations in North and South America and in China.

In the United States, Norandex specializes in siding, windows, doors, roof products and other exterior solutions for building and renovation professionals, while Meyer Decorative Surfaces is a major distributor of laminate, countertops, storage solutions, and kitchen and bathroom fittings.

The Sector is represented in Brazil by Telhanorte, a builders' merchant specialized in home improvement and more particularly, tiles, bathrooms and kitchens, and by the Center Lider network of builders' merchants. In Argentina, Barugel sells plumbing products, tiles and kitchen fittings.

Lastly, following its acquisition of 51% of Shenzhen Arting Decoration, the Sector now has two banners in China—*La Maîson*, specialized in complete home renovation, and Arting, which provides comprehensive home improvement and decoration services to homeowners.

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Innovating to meet each customer's needs

The Building Distribution Sector's success stems not only from its extensive network, but also from its innovation capabilities. Keeping track of changing market needs, the Sector is constantly developing new products, services and sales concepts that make life easier for its customers.

A prime example is the La Plateforme du Bâtiment sales concept geared to helping small building firms in urban areas save time and money. Catering exclusively to industry professionals, it operates according to the cash-and-carry principle, offering a range of items that are tailored to meet builders' needs and guaranteed to always be in stock at competitive prices all year round. Launched in France over 10 years ago, the concept has been adapted and deployed internationally and now includes close to 70 outlets in seven countries— France, Poland, Hungary, Spain, Brazil, Germany and the Czech Republic.

Pooling resources to strengthen each banner's position

The Building Distribution Sector promotes synergies between its banners by pooling knowledge and expertise, while ensuring that each banner maintains its own identity. This approach involves creating cross-functional departments, forging partnerships with the best suppliers, harmonizing product ranges, sharing experience, unleashing synergies in logistics, purchasing and information systems, and encouraging staff mobility.

Leveraging the power of its network and the responsiveness of each banner's teams, the Sector intends to continue its international expansion to drive further profitable growth.

Building Distribution

Businesses and Products	Main Applications	Main Competitors	Competitive Ranking[1]
• Distribution of construction materials for the newbuild and renovation markets • Industrial joinery	• Individual and collective housing market • Home fittings: fitted kitchens and bathrooms, doors and windows, heating systems	• Wolseley (United Kingdom, France) • CRH (United Kingdom, Netherlands, France, Switzerland) • SIG (United Kingdom, France, Germany, Netherlands, Poland) • Travis Perkins (United Kingdom) • Grafton (United Kingdom, Ireland) • BSS (United Kingdom)	• Largest building materials distribution network in Europe • European leader in plumbing and heating materials distribution and world leader in tile distribution

(1) Source: Saint-Gobain

PACKAGING

Ranking No. 2 worldwide[1] in glass containers, our Packaging Sector leveraged its teams' commitment, its highly professional sales organization in **46** countries and its manufacturing facilities in 12 countries to successfully counter the impact of the crisis, which affected demand in all of its markets to varying degrees.

Concentrating fully on its core business since the sale of the plastic pumps business in 2006 and its flask operations in 2007, the Sector offers its **20,000** customers the unique combination of a powerful global network that includes six R&D centers, **47** glass plants and **95** glass furnaces, and a strong local marketing presence in what is still an essentially regional market.

Employing nearly15,000 people, the Sector produced **25.2 billion bottles and jars in 2009**, mainly wine, champagne and spirits bottles and food jars (used for soluble products, yogurts, desserts, etc.)—markets where Saint-Gobain is the world leader—as well as bottles and jars for such products as fruit juice, soft drinks, mineral water and oil.

In 2009, the Sector strengthened its relatively recent presence in the emerging economies of Eastern Europe and Latin America, with the aim of building positions in high-potential local markets and partnering multinational customers in their international expansion. Despite the economic crisis, it also kept up its capital expenditure programs to upgrade facilities and constantly improve product quality.

The Packaging Sector has made a significant contribution to promoting the use of glass. A pure, neutral material that can be recycled indefinitely, glass is one of the packaging materials that contributes the most to sustainable development.

In a difficult year, one of the Sector's main objectives was to improve industrial performance. A wide-reaching improvement program known as E² was deployed at all the Packaging facilities to improve workforce performance, reduce costs, enhance manufacturing efficiency and improve workplace health and safety. The challenging program was implemented and tracked by teams of specialists.

A cross-functional cost reduction program was also deployed to reduce both operating costs and capital expenditure through sourcing initiatives in low-cost countries.

The Sector has made sustainable development a key priority in its business strategy and deepened its commitment to protecting the environment. It is working on glass materials, glassmaking processes and eco-designed bottles and jars to improve its products and reduce their environmental impact to insignificant levels. This research into the entire product life cycle obviously includes recycling, as glass can be recycled indefinitely.

These efforts have been recognized by the United States' Environmental Protection Agency, which named Saint-Gobain "Energy Star Partner of the Year" in 2009 and 2010.

The programs have enhanced the flexibility of our plants and further improved the quality and creativity that our customers—whether multinationals or smaller, local firms—have come to expect of our products.

As a result, the Sector has maintained its position[1] as joint leader of the European market, No. 2 player in the United States and leader or joint leader of each of its market segments.

Packaging

Businesses and Products	Main Applications	Main Competitors	Competitive Ranking[1]
• Glass bottles and jars	• Packaging for foodstuffs & beverages	• Owens Illinois (United States, Europe, Asia, Latin America) • Anchor Glass (United States) • Vitro (United States) • Ardagh (Europe) • Vetropack (Europe) • Vidrala (Europe) • Sisecam (Turkey, Eastern Europe) • Barbosa & Almeida (Spain, Portugal)	• No. 2 worldwide and leader or joint leader in all countries where it has industrial operations

(1) Source: Saint-Gobain

A RESEARCH AND INNOVATION, LED STRATEGY

Meeting challenges through research in 2009-2010

2009: A year of energetic rationalization in response to the crisis

In 2009, swift action had to be taken to realign operations in response to the economic crisis. We therefore decided to maintain the overall research and development budget at the 2008 level, after five years of steady growth. The aim was to more effectively align our objectives with the resources and skills deployed in the research centers of our various businesses. As a result, rather than simply extending existing projects with the same budgets, we extensively reorganized our research programs and submitted existing projects to an even tougher critical analysis.

Two major changes occurred at Group level: the main strategic programs were reorganized and ties with the marketing function were strengthened, thanks in particular to the close working relationship developed with the new Corporate Marketing Department. Details about the strategic innovation and cross-functional research programs, the alliance between R&D and Marketing and the increased cooperation with organizations outside the Group are presented below.

Changes to the portfolio of strategic and cross-functional programs

The strategic review undertaken during the year led to research efforts being refocused on certain areas, according to market demand. In some of our key markets, it is important for us to prepare a portfolio of research projects in order to develop an innovative solution pipeline to meet foreseeable market trends or emerging needs. To complement the initiatives undertaken by the businesses in their traditional markets, efforts at Group level focused on projects that are particularly challenging, either because they are promising but involve a certain level of risk, or because they require a cross-functional approach. These projects managed directly by Compagnie de Saint-Gobain have been reorganized within “strategic programs” that are conducted by the Research Department with the support of the various Sectors.

Each strategic program corresponds to a portfolio of specific projects that aim to provide Saint-Gobain with a range of products and solutions for emerging markets. All of these projects are tracked using the project management approach described in the Group’s Innovation Manual, of which an updated and extended version was published in May 2009. There are currently eight strategic programs aimed at emerging markets, as well as a program bringing together projects designed to improve the energy efficiency and environmental performance of our manufacturing processes.

Strategic Programs

1. Solar power
2. Lighting
3. Intelligent glass
4. High-performance insulation systems
5. External wall insulation systems
6. Applying green chemistry to our materials
7. Solid oxide fuel cells (SOFCs)
8. Energy efficient manufacturing processes with a smaller environmental footprint

At the same time, the portfolio of cross-functional programs has been ramped up. Also defined by the Research Department, these programs aim to develop technological synergies between the various businesses, strengthen key Group technologies and assist in transferring the skills developed in the Innovative Materials Sector to the habitat and construction markets. As a result, these programs are being conducted for the most part in dedicated R&D centers.

Cross-Functional Programs

1. Germ-free surfaces
2. Catalysts
3. Physico-chemical properties of building materials
4. Acoustics
5. Cement-based materials
6. Building envelope energy performance
7. Flexible functional materials

2009: strategic programs deliver good results

The most significant advances were made in the following areas:

Solar power is now the research avenue that receives the most resources, with an R&D budget of over €30 million. Research in this area covers the entire photovoltaic value chain from the materials used in making the cells to the production and installation of the modules. Solar concentrator mirrors are also being developed. These programs aim to improve the quality (i.e. transparency) of the glass used in the cells as well as the quality (i.e. transparency and structure) of the transparent thin film that collects the power generated by the semi-conductor components (silicon, CdTe, CIGS, etc.). Research is also being undertaken on how to integrate photovoltaic cells into buildings during the construction process.

In the area of **lighting**, the aim is to participate actively in the development of organic and inorganic light-emitting diodes (OLEDs and LEDs). Research is underway on new substrates for the production of LEDs (sapphire) and OLEDs (coated glass), and we are pursuing our efforts to introduce lighting to Saint-Gobain's range of building materials (ceilings, plasterboard, glass, etc.), with promising initial results.

There is a lot of interest from the market about the emergence of **intelligent glass**, particularly electrochromic glass. Considerable research was necessary to adapt glass made for automotive applications to the building industry, and significant progress has been made.

A review was undertaken in the **high-performance insulation** program to clarify the target markets and assess the technological progress made to date. Thanks to the development of a super-insulating mortar and several projects targeting specific products in various countries, we now have clear view of the materials and systems to be developed.

A number of joint strategic reviews and market surveys have been launched with the Strategic Planning and Corporate Marketing Departments. These include a survey of market needs and trends in the area of **external wall insulation systems**, an issue given priority by the Habitat Innovation Committee, which is described in detail below. A series of initiatives is being prepared to deploy cross-functional solutions aimed at this market.

A new program was also launched on the use of **green chemistry** in the materials produced by the Group. This was the result of a strategic discussion about the materials' life cycle analysis, which led us to search for ways to improve both their life cycle and their environmental footprint. In addition to new plant-based binding agents, biobased additives are the most widely adopted solution to replace petroleum-based products.

The **fuel cell** project is now at a particularly important stage. Having demonstrated the potential benefits of the technological avenue being explored to produce a cost-effective fuel cell core, we are now testing the technology's reliability using small samples. It is in these two areas—cost and reliability—that competing technologies fall short.

In addition to these eight strategic programs aimed at developing products or systems, we are also undertaking a series of ambitious projects to improve the energy efficiency and environmental performance of our manufacturing processes, particularly in terms of carbon emissions. Projects exploring the use of biomass in glassmaking processes (Packaging and Flat Glass Sectors) and during the manufacture of pipes have proved to be of particular interest. In the "Innovative Furnace and Glass" program, the first pilot tests have been conducted on using the submerged burner for the production of rock wool and incorporating biomass in the furnaces.

Cross-Functional Programs supporting the Group's strategy

Cross-functional programs mainly aim to strengthen key Group technologies and allow their wider use in new markets, particularly in the habitat and construction segments. Three new cross-functional programs were launched in 2009.
The program on **cement-based materials** reflects the growing role of cement in product formulations, which directly concerns several of our businesses, including Industrial Mortars, Gypsum, Pipes and Point.P.
The program on **building envelope energy performance** also involves several businesses. Existing skills have been pooled and our theoretical understanding has been reinforced through software selection and dynamic calculations.
After some exploratory work, a program was launched to develop **functional surfaces** such as barriers or conductive layers **on flexible supports** like plastic films. This program is at the crossroads of two Innovative Materials technologies, one in High-Performance Materials (plastic films) and the other in Flat Glass (coating application and control). The program represents a major technological challenge and offers huge potential in terms of controlling the properties of functional surfaces on polymer films. The topic is included in the program taught as part of the Saint-Gobain/ESPCI ParisTech/École Polytechnique chair created two years ago.

Closer cooperation with Marketing

One of the highlights of 2009 was the creation of a Corporate Marketing Department, which was accompanied by a more general decision to strengthen ties between Research and Marketing teams. In terms of innovation, the Group's habitat and construction strategy helps us to track market trends and changes in the Group's position in an integrated way and find solutions to identified needs using a cross-functional approach. Surveys conducted jointly with the Marketing and Strategic Planning Departments prior to organizing research projects and programs allow a range of cross-functional skills to be deployed to address the needs of new markets. The research begun in 2009 on external wall insulation, mentioned above, is a good example. Research programs also benefit from closer monitoring by the divisions' Marketing departments. In addition, the shift from materials to complete systems makes it increasingly necessary for several divisions to work together to develop new solutions. Various tools provide a framework for the Group's commitment to innovation:

- A new Habitat Innovation Committee made up of Research & Development and Marketing directors from the businesses involved in the habitat and construction markets and co-chaired by the Corporate Marketing and Innovation directors.
- Local, cross-functional Habitat organizations have been set up in several countries, including France, the United States, the United Kingdom and Germany. These play an important role in identifying target products and systems that meet local market needs, and the Research & Development department relies increasingly on their support. This process feeds a portfolio of projects managed by the Habitat Innovation Committee.
- Product testing has undergone an initial rationalization. Durability tests for our exterior products in Europe, which were previously conducted at six different sites, have now been consolidated at two of those sites, one in France and one in Germany, and are managed cross-functionally.
- Lastly, the Construction Products Sector's growing involvement in the four cross-functional research centers (SGR, NRDC, SGRS and CREE) is evidence of the positive impact of implementing cross-functional programs. This strategy enables us to use the skills developed in the technical divisions for applications aimed at the habitat and construction markets. For example, the Industrial Mortars and Gypsum divisions have recently been involved in the work of the CREE research center in Cavaillon, France, allowing both businesses to benefit from the CREE team's expertise in powder formulation and composition.

The joint efforts described above have resulted in achievements that show that the cross-functional approach is a particularly successful way of driving innovation. Additional functions like lighting and acoustics offer a very promising outlook.

Strengthening partnerships with organizations outside the Group

In 2009, the Group stepped up its policy of opening research up to outside organizations with the appointment of a Scientific Director in charge of external relations at each cross-functional center.

An important event for the Saint-Gobain University Network (SUN), which is dedicated to forging partnerships with world-class universities and institutes, was the signature by the Group's CEO of an agreement to set up a joint team with Japan's prestigious National Institute for Materials Science (NIMS), to be based in the institute's offices in Tsukuba. Created in the same vein as the CNRS/Saint-Gobain joint research teams, the new team will strengthen our ties with Japan's academic community. Framework agreements were signed in 2009 with the University of Massachusetts Amherst and Pennsylvania State University in the United States, and SUN's network of partners was extended during the year to include a German university (Aachen).

We also actively pursued our policy of partnering start-ups in 2009, signing a similar number of contracts as the previous year (nine in September 2009 versus ten in 2008).

In addition, the Corporate Marketing Department's high-level involvement in our relations with large companies ensures that we enter partnership agreements to jointly develop new technologies on the best possible terms. These companies include Eiffage, Schneider, Arcelor, Velux, Somfy and Aldes.

Outlook for 2010

Our objective for 2010 is to structure and expand recently launched programs, such as those on external wall insulation, biomass, building envelope energy performance and flexible functional materials, while continuing to implement new programs in areas like green chemistry and fire prevention.

We will leverage the local Habitat organization to step up the cross-functional approach that enables us to identify target markets locally, while ensuring that research projects are carried out and monitored at the most appropriate level, with the support of all Saint-Gobain's R&D and marketing resources.

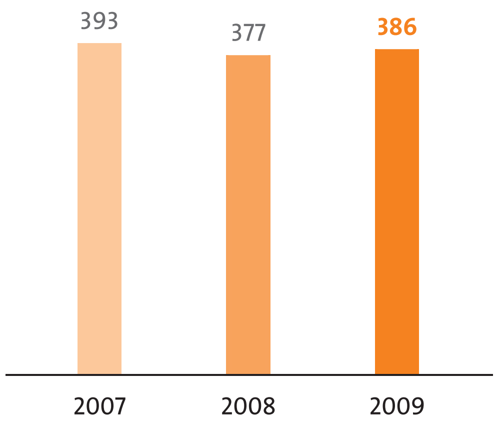
Hiring new talent to ensure that we have the skills necessary to address new issues will be a major focus. Research has always provided other departments with high-level managers. However, we also need to ensure that technologies developed in one sector for applications in another are applied efficiently and effectively, thanks to the movement of employees across divisions. Resources facilitating such mobility already exist and must be reinforced.

DuoTech: the successful result of a cross-functional program

A new plasterboard with exceptional soundproofing properties was recently launched in the French hospital market, thanks to one of the first cross-functional programs set up in 2007.

The result was achieved thanks to the division's marketing team, which rapidly identified a need in a particular country (France) for an effective product in a technical market, and thanks to the glass R&D team at the CRDC research center, which contributed its acoustic expertise to the project. Their combined efforts resulted in the development of a new product made from two plasterboards and a polymer film with optimized soundproofing properties. Introduced in the French market in September 2009, DuoTech has achieved significant commercial success and recently received an award at the Batimat trade fair.

Research and Development budget (in € millions)



SUSTAINABLE DEVELOPMENT

SUSTAINABLE DEVELOPMENT: AN INTEGRAL PART OF SAINT-GOBAIN'S STRATEGY

Saint-Gobain's strategy naturally leads the Group to make sustainable development a priority. As a leader in the habitat and construction markets, we offer innovative and efficient solutions to the challenges of saving energy and protecting the environment. Such solutions include low emissivity glass, which helps to reduce heat loss while allowing rooms to be warmed by direct sunshine, combined glass wool and plasterboard insulation products and solar panels offering an alternative energy source.

Our Research and Development teams are working on further energy-saving solutions for the future, such as more energy efficient lighting systems and fuel cells for generating electricity and heating water in the home.

Considering our strategic positioning in these markets, it is essential that our sustainable development performance be beyond reproach. Rather than simply complying with regulations, we take a highly committed stance on minimizing the environmental impact of our processes, protecting the health and safety of our employees, and making proper allowance for labor and social issues in all our business activities.

Sustainable development guidelines

Our business model is based on a set of strong internal values backed by publicly-stated sustainable development commitments.

These commitments are set out in our **Principles of Conduct and Action**, which were drawn up in 2003 as a formal expression of the values that guide and inspire the Group. The values of professional commitment, respect for others, integrity, loyalty and solidarity represent a unifying force and shape the conduct of each and every member of Saint-Gobain, from senior management down to junior staff.

Respect for the law, the environment, occupational health and safety and employee rights guides the actions of all corporate leaders and employees in the performance of their duties.

The Principles of Conduct and Action (1) explicitly refer to International Labor Organization (ILO) conventions, OECD guiding principles and the OECD Anti-bribery Convention.

They form a solid foundation on which the Group builds its response to sustainable development issues. The Principles require subsidiaries to «actively protect the environment» and to «take all necessary measures to meet the highest standards of workplace health and safety» for employees and for contractors working on our sites. They have been applied in the **Environment, Health and Safety** (EHS) policy, which is based on respect for individuals and their environment. In 2008, Group senior management set out the EHS policy's main principles and guidelines in a letter to all employees. These objectives are listed in a **charter** displayed at all of our facilities and currently translated into 38 languages.

The Principles of Conduct and Action and the Group's commitments also inform ours labor and social policies, as well as its management practices.

Our commitments

In 2003, we demonstrated our responsible and sustainable development approach by pledging to support the United Nations Global Compact and undertaking to comply with the Compact's ten principles in the areas of human rights, labor standards, the environment and anti-corruption.

This commitment was taken a step further on December 10, 2008—the 60th anniversary of the Universal Declaration of Human Rights—when our Chief Executive Officer signed the declaration of management support for human rights, an initiative organized by the United Nations.

In January 2009, the Group endorsed the Caring for Climate statement and the CEO Water Mandate, two documents that complement the UN Global Compact. Caring for Climate is an action platform to demonstrate leadership on the issue of climate change. The 318 corporations that have endorsed the statement are committed to setting improvement targets and to publicly disclosing their greenhouse gas emissions. Caring for Climate provides a unique opportunity for businesses of all sizes in both emerging and developed economies to come together and devise practical solutions to a global challenge. The CEO Water Mandate supports the United Nations Millennium Development Goals of reducing poverty and improving environmental sustainability by 2015. Pierre-André de Chalendar and 45 other CEOs have formally committed to making water-resources management a priority and to working with governments, UN agencies and non-governmental organizations to address the global water challenge.

(1) see section IV for more information on the Principles' distribution.

Sustainable development organization

Sustainable development initiatives are organized on a cross-functional basis and are coordinated by Compagnie de Saint-Gobain. Their deployment relies on close cooperation among several departments, including:

- The **Environment, Health and Safety (EHS) Department**, which oversees and monitors employee health and safety in the workplace, as well as environmental compliance, at all Group sites worldwide. The department also works with the Research Department, the Corporate Marketing Department and the Sectors to ensure that sustainable development considerations are taken into account in the Group's products and solutions.
- The **Employee Relations, Training and Executive Career Management units**, which support the Group's development by providing the skill-sets that best match its needs, while responding to employees' aspirations.
- The **Responsible Development Department**, which issues the Principles of Conduct and Action and educates employees on their application. It also works with the Divisions, businesses or regions on applying the Principles to reflect local situations.

These departments are supported by robust networks within the various businesses and regions, helping to guarantee a consistent approach to responsible and sustainable development, both at global level and within each unit, where the approach is tailored to local circumstances.

The table below presents a broad outline of the Group's sustainable development challenges, as well as actions taken and future initiatives.

The first part of this section discusses Saint-Gobain products and solutions that contribute to sustainable development, while the second part sets out our commitments on environment, health and safety issues.

The last two sections examine the Group's values and its model for Human Resources Development and Corporate Social Responsibility.

Indicators mentioned in the text are listed in a table at the end of the section, along with details of the methodology used to collect and compile the data.

CHALLENGES, ACHIEVEMENTS AND OUTLOOK

We have identified a number of challenges in the areas of environmental protection, Human Resources Development, Corporate Social Responsibility and business practices.

Guided by the Group Principles of Conduct and Action, which serve as a blueprint for all employees, we have defined policies and action plans to address these issues.

The table below summarizes our priority challenges, which are described in greater detail in the main body of the text.

Envir onment

Challenges	Action taken	Pages	Outlook and future initiatives
Reduce CO_2 emissions: In our operating processes	• Research into furnace design for improved energy efficiency • Recycling of secondary raw materials • Selection of most appropriate energy source • Combustion settings for glassmaking furnaces • Definition of CO_2 emission reduction targets for each Division by 2010 • Initial distribution of a Suppliers' Charter designed to raise supplier awareness of the importance of sustainable development for the Group. The charter includes information on the issue of reducing CO_2 emissions. • Carbon emissions assessments launched in manufacturing subsidiaries in France in 2009	50 48	• Using 2007 emissions as a base, a 6% reduction in emissions at "concerned sites" by 2010 (see reporting methodology, page 77 • Development of a methodology for conducting an Overall Carbon Assessment at the Group level
With our products	• Construction industry: insulation products • Renewable energies: photovoltaic panels, etc. • Vehicles: automobile glass, lighter auto body parts, etc. • Incorporation of an EHS sign-off procedure in R&D projects • Deployment of a shared methodology for assessing and communicating life-cycle analyses for all construction products	30 38 30	• Research and development of new products • Systematic life-cycle analyses for all construction product lines by 2010
With our awareness-raising initiatives	• Dedicated industry associations and labels • Information and training for contractors and other professionals • Group-wide celebration of International Environment, Health and Safety Day	33 42	• Continuation of awareness-raising campaigns
In our transport operations	• Distribution of a Purchasing Charter • Initiatives within Building Distribution Sector companies to reduce CO_2 emissions from road transport • Adoption of CO_2 emissions criteria for automobile fleets in certain European countries	50	• Rollout to other Building Distribution Sector companies and then to the Group as a whole
In our buildings	• Factor 4 targets for office buildings: Care:4™ project • Energy consumption at all new office buildings (offices, training centers excluding production shops, warehouses, stores, etc.) must be below 80 or 120 kWh/sq.m, depending on the country • First buildings certified to Care:4™ standards	47	• In 2010, introduction of support tools for conducting an energy assessment of the Group's office buildings, to help prepare future measures for thermal compliance (Care:4™ program)
Reduce atmospheric emissions of NO_x, SO_2, dust, metals and other pollutants	• Pollution reduction at the source (primary measures) and through treatment of stack gas (secondary measures) • Selection of the cleanest energy source • Combustion settings for glassmaking furnaces • Development of electrostatic precipitators in the Flat Glass Division	52	• Continued investment in electrostatic precipitators in the Flat Glass Division
Optimized withdrawal and use of natural resources Water	• Closed-circuit operation extended to all facilities • Improved operating processes • Constant innovation for Pipe products • Definition by each business of water withdrawal reduction targets for end-2010	56	• 6% reduction in water withdrawals by end-2010 at "concerned sites", based on 2007 production output
Wood	• Environmental policy applied to wood for the Building Distribution Sector	55	• 80% of wood product purchases sourced from certified forests by end-2010
Silica, iron ore, gypsum	• Recycling of secondary raw materials • Design of lighter products	50	• Development and deployment of a pilot biodiversity project in the Gypsum Division
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 through certified disposal networks • Definition by each Division of landfill waste reduction targets for end-2010	50	• 6% reduction in landfill waste disposal by end-2010 at "concerned sites", based on 2007 production output

Environmental actions are undertaken as part of a policy of continuous improvement. The aim is to extend ISO 14001 certification to over 80% of "concerned sites" during 2010.

Employee and community relations

Challenges	Action taken	Pages	Outlook and future initiatives
Health and Safety – Workplace safety	• Stepped-up action to prevent serious and fatal accidents: continuation of the Serious Accident Plan • Continuous monitoring of accident incidence rates • Deployment of risk assessment and accident/incident analysis standards • Definition of four safety standards: working at height, management of outside firms operating on company sites, work permits, lockout/tagout • Definition of safety standards for lifting equipment and lift trucks • Distribution of a Purchasing Charter • Initial distribution of a Suppliers' Charter designed to raise supplier awareness of the importance of sustainable development for the Group. The charter includes a section on work safety issues. • Health and Safety charter setting out reciprocal commitments of the Group and temporary employment agencies • Deployment of SMAT (Safety/Senior Management Audit Tool)	42 36 41	• Closer cooperation on safety issues with employee representatives through the European Social Dialogue process • An overall lost-time incident rate (LTIR) of 3.7 in 2010 (7 for the Building Distribution Sector) and a total recordable incident rate (TRIR) of under 7 for the Industrial Sectors • Group-wide deployment of risk assessment by 2010 • Introduction of new safety standards for lifting equipment and lift trucks in 2010 and for confined spaces, vehicles and pedestrians, and warehouses and loading in 2011 • EHS audit system with schedule reflecting site size and operations • Deployment of the Environment, Safety and Risk Prevention audit in the Building Distribution Sector • Enhanced tracking of temporary staff and subcontractors • Distribution of critical EHS standards: best practices for training of new hires
– Ergonomics	• Development of a method for identifying risks related to handling, lifting and workstation posture • Pilot sites in each Division starting in 2009 • Distribution of a training kit for applying the method	45	

Challenges	Action taken	Pages	Outlook and future initiatives
– Noise	• Introduction of a noise standard • Tracking of reductions by Division, under annual plans	44	• Definition by each Division of reduction targets for the highest noise and chemical exposures by end-2010
– Chemicals	• Rollout of the Toxic Agents Standard and implementation guidelines • Tracking of reductions by Division, under annual plans • EU REACH regulations: creation of a dedicated network, development of IT resources, update of substance inventories in Europe • Rollout of the substance inventory to include all countries and all Divisions • Addition of a REACH clause in all purchasing contracts	44	• Integration of the toxic substance standard computer application and risk assessment software into an online resource in 2010, with deployment across all industrial divisions within each country
Human resources planning and development – Hiring	• R&D partnership/Executive Development/Schools	57	• Ongoing efforts to strengthen local ties with schools and universities • More student internships
– Training	• Introduction of New Managers' sessions in Southeast Asia • Re-working of the "Masters" cycle in France • Introduction of all WCM programs • Continuation of School of Marketing and Purchasing programs in Europe, Asia, North America and Eastern Europe • Deployment of risk prevention programs in all Delegations • Finalization of the EHS training matrix, with the introduction of distance-learning modules and design of training modules in the Delegations • Creation of a distance-learning network and training on LMS and module design for correspondents in the Delegations	59-62	• Inclusion of a "Habitat" approach in management training • Introduction of a new program for senior managers and identified talents • Finalized deployment of FIND new hire induction programs • Deployment of the EHS training matrix in the Delegations • Fine-tuning of specific training programs for the various skill-sets • Creation of a technical training network to encourage sharing of good practices among trainers • Continued development of distance-learning capabilities in the Delegations
– Career planning	• Gradual development of a single performance review form • Development of system functions • Introduction of specific training programs	58-59	• Deployment of capabilities management and succession planning resources
Motivation	• Expansion of the Group Savings Plan to China and Bulgaria • Grant of seven shares without consideration to all employees in the global plan	65-66	• Group Savings Plan: creation of a more advantageous top-up system for the lowest wage categories • Top-up payment for French employees who invest their profit share in the Group Savings Plan
High quality social dialogue	• Rollout of the Human Resources Planning and Development agreement to companies in France • Signature of a mobility agreement concerning assistance in deploying shared services centers within the Group • Signature of amendment 7 to the European Social Dialogue Agreement • Measures to broaden and deepen social dialogue	64-65	• Negotiations on diversity and psychosocial risks • Search for ways to achieve convergence for health care coverage in host countries • Implementation of amendment 7 • Measures to maintain active social dialogue
Diversity	• Discussions on diversity issues with employee representatives • Continued efforts to increase the proportion of women managers • Signature of a charter to include disabled persons in the workforce	62-63	• Negotiations on diversity • Continued efforts to increase the proportion of women managers • Deployment of the charter signed in 2009
Participation in local community life	• Development of the Saint-Gobain Initiatives International Corporate Foundation • Development of the "100 opportunities—100 jobs" scheme in new employment areas • Sponsoring of new graduates as part of the "Our neighborhoods have talent" program	72-77	• Implementation and financing of the first wave of selected projects • Continued development of these two initiatives

Business practices

Challenges	Action taken	Pages	Outlook and future initiatives
Responsible purchasing	• Deployment of a structured process for auditing suppliers • Distribution of the Suppliers' Charter and self-assessment questionnaire to 1,000 suppliers	71-72	• Audits using the new guidelines • Gradual expansion, with distribution of the charter and questionnaire to more suppliers • Development of purchases from sheltered workshops
Compliance program	• Introduction of a Group compliance program based on responsible development, the Fair Competition Plan, the internal control system and a whistle-blower system • Responsible growth: creation of a distance-learning module for the Principles of Conduct and Action; introduction of a program for non-managerial staff • Fair competition plan: expanded training on fair competition and unannounced internal audits • Internal control: annual compliance statements from the units' Presidents • Whistle-blower system: analysis of legal constraints in certain countries, request for required administrative authorizations	69-71	• Global deployment of the Group compliance program • Responsible growth: meetings with all managers; deployment of the distance-learning module for the Principles of Conduct and Action; development of communication materials for non-managerial staff • Fair competition plan: introduction of a second on-line training campaign on competition law for all managers; continued unannounced audits • Whistle-blower system: deployment in all host countries where not barred by legal or administrative constraints • Deployment of an organization with compliance correspondents and committees in the Delegations and a Group compliance committee reporting to the CEO

I. PRODUCTS AND SERVICES THAT CONTRIBUTE TO SUSTAINABLE DEVELOPMENT

We contribute to sustainable development in a variety of ways through our products and services, and constantly strive to raise public awareness about environmental challenges. Around 30% of our net sales and 40% of our operating profit derive from solutions to save energy, produce energy and protect the environment.

A brochure highlighting these solutions entitled "Building our Environment Together" was published in 2009 and posted on our website.

Limiting the environmental impact of buildings

An international commitment to sustainable building

To play an active role in discussions on the sustainable buildings of tomorrow, we joined the United Nations Environment Programme's Sustainable Buildings & Climate Initiative (UNEP-SBCI) in 2009 and the Sustainable Building Alliance in 2008.

UNEP-SBCI is a partnership among businesses, governments, non-governmental organizations, research institutions and other key stakeholders to promote sustainable building practices worldwide.

The Sustainable Building Alliance's goal is to develop common metrics that can be used to monitor the environmental quality of buildings. These metrics are to be based on a shared methodology but adapted to local labor, economic, cultural or weather conditions.

To demonstrate our commitment, we have decided to conduct product life-cycle assessments (LCAs) for all building industry product lines by the end of 2010. It is crucial to assess the environmental impact of habitat-related products across their life cycle, from raw materials to end-of life disassembly and disposal. A new life-cycle assessment will be conducted for all new building industry product lines that are not covered by an existing LCA. To meet this objective, we produced a common methodological framework for all building industry products in 2009 that provides a single format for reporting results. This framework complies with ISO:21930:2007 (Sustainability in Building Construction—Environmental Declaration of Building Products) and takes the specific characteristics of certain host countries or skill-sets into account. In 2009, the majority of building industry products underwent a life-cycle assessment.

Saint-Gobain at Batimat

The 27th Batimat trade fair for French building industry professionals was held in Paris on November 2-7, 2009. The fair gave Saint-Gobain the opportunity to bring together 16 of its brands to present both its expertise and its large range of solutions and services for the habitat and construction market. The Group won two Batimat Innovation awards in the structure category: a gold medal for Saint-Gobain Solar Sunstyle, a photovoltaic roofing system for large roofs, and a silver medal for Placo® Duo'Tech from Placoplatre (Construction Products), a plasterboard with enhanced noise-proofing features.

High performance insulation

Housing accounts for 40% of all energy use in Europe, compared with 32% for transport and 28% for industry[(2)]. In single family homes, heating accounts for 75.5% of energy consumption[(3)]. Developing solutions to reduce building energy consumption is therefore of vital importance.

Saint-Gobain offers building solutions that, in a very short time frame, save more energy than it takes to produce them. These solutions play a significant role in making heating and air conditioning systems more energy efficient and in reducing the related greenhouse gas emissions. A properly insulated building consumes four or five times less energy for heating (or air-conditioning) than a non-insulated home[(4)].

Tests have shown that the energy saved by using **glass wool** in building insulation is over a hundred times greater than the energy consumed in its manufacture and transportation. The thermal performance of glass wool is steadily being enhanced thanks to ongoing research and development that has yielded dozens of patents. In 2009, Saint-Gobain Isover launched its new generation G3 glass wool in France that offers the triple guarantee of low environmental impact, high performance and healthy living. Not only does the manufacturing process uses less energy and water, but the product is highly compressible for optimized shipping. G3's organic and plant-based binders emit fewer volatile organic compounds (VOCs), for excellent indoor air quality.

(1) Data from environmental and health declarations, which include LCA results, will be posted at www.inies.fr and are available on request from the subsidiaries and companies in question.
(2) Source: EUROSTAT, IEA (International Energy Agency).
(3) Source: Observatoire de l'Energie (energy assessments), DGEMP, French Ministry of the Economy, Finance and Industry.
(4) Source: Eurima

Flat glass is also a fundamental part of insulation. A study by the Glass for Europe association suggests that replacing every window in the European Union with advanced, low-emissivity double glazing would cut CO_2 emissions by up to 90 million metric tons annually—equivalent to one third of the European Union's building greenhouse gas emissions target.

In 2009, Lapeyre rolled out high-performance vinyl windows with an energy label similar to the one found on appliances in the European Union. The label, which classes products from A to F, helps customers identify the most energy-efficient solutions.

As the world's top producer of coated glass, Saint-Gobain Glass provides practical solutions to ensure that buildings are energy efficient. Its expertise in applying thin films has produced a wide range of low-emissivity (or low-E) glass that when combined in double- or triple-glazing systems achieves insulation close to that of an opaque wall. Solar control glass also helps to reduce energy consumption in air-conditioned buildings. Over the past twenty years, Saint-Gobain has achieved a sixfold increase in the energy efficiency of its flat glass products, thanks to a significant investment in research and development. We are pursuing our efforts to bring new glass solutions to the market.

To give an example, SGG PLANITHERM® ONE, introduced in Germany two years ago, is now marketed in France. This coated glass exhibits an emissivity level of just 1% and, in double glazing, reflects 99% of interior heat back into the room. With a light transmission factor of 71% and a solar transmission factor of 50%, PLANITHERM® ONE offers the best thermal insulation performance for a double-glazed unit in the world[(1)].

A number of other Saint-Gobain products also contribute to improved building insulation, such as **plasterboard laminates** and expanded polystyrene from Saint-Gobain Gyproc, exterior thermal insulation systems from Saint-Gobain Weber and Saint-Gobain Technical Fabrics, and Point.P thermal insulation products.

SHEERFILL® architectural membranes from Saint-Gobain Performance Plastics help reduce the need for air conditioning in buildings by 10% to 15%. SHEERFILL® has received an Energy Star® rating from the US Environmental Protection Agency and a cool roof rating from the California-based Cool Roof Rating Council (CRRC).

Acoustic comfort and air quality

Saint-Gobain building materials also provide enhanced acoustics and soundproofing for buildings to ensure greater user comfort. In the United States, Saint-Gobain Performance Plastics' Green Glue unit produces particularly effective noise-proofing compounds that are cost-effective, easy to use an environmentally friendly. Green Glue's solutions considerably reduce noise transfer from one room to another. Used with plasterboard, Green Glue's compound, noise-proofing clips and noise-proofing sealant offer the perfect noise-proofing solution for residential and commercial buildings. In Europe, Saint-Gobain has launched a high soundproof plasterboard for hospitals called Duo Tech.

In air treatment, the Innovative Materials Sector—High-Performance Materials Division 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.
In 2009, Saint-Gobain Technical Fabrics developed NOVELIO® CleanAir, a new paintable wall covering that filters indoor air. Designed for both new buildings and renovation, NOVELIO® CleanAir traps and neutralizes the noxious components in Volatile Organic Compounds (VOCs). NOVELIO® CleanAir is durable, rugged and fire resistant.

Promoting renewable energies

Through several of our product lines and R&D projects, we are promoting alternatives to fossil fuels and, in particular, helping to drive rapid growth in renewable energy.

Solar energy

In 2009, we created a dedicated unit called Saint-Gobain Solar to combine all our solar energy solutions.

Saint-Gobain is a major supplier of **solutions for the photovoltaic industry**. These include quartz crucibles for smelting silicon slabs, engineered abrasive grains for cutting them and fluoropolymer films for encapsulating photovoltaic panels. We hold 20% of the photovoltaic glass market with our special high-efficiency glass products.

As part of our policy to expand in solar solutions, we have acquired Shell's interest in our Avancis joint venture. Avancis manufactures photovoltaic panels using a highly competitive Copper Indium Selenium (CIS) technology in which a thin film of CIS is applied to a glass substrate. The venture's first plant in Torgau, Germany, has an annual capacity of 20MW. This promising technology requires leading-edge expertise in glass coating and glass thermal treatment—two of Saint-Gobain's core competencies. We intend to step-up industrial development of Avancis, which is now fully owned.

In 2009, Saint-Gobain Solar created a unit to design and market photovoltaic solutions installed on rooftops, facades and windows. These solutions include complete photovoltaic systems, installation by a network of qualified partners and related turnkey services.

(1) Emissivity measures a material's ability to emit energy by radiation. When two surfaces at different temperatures face each other, they exchange heat through radiation. The lower the emissivity, the lower the transfer of radiant heat. Because clear glass has an emissivity of 89%, a low-emissivity layer is added to improve thermal performance.

Saint-Gobain also manufactures **solar mirrors** that concentrate the sun's rays in order to heat water to generate electricity using a steam turbine. In 2009, we inaugurated the world's largest facility dedicated to producing parabolic cylindrical mirrors for use at solar thermal power plants in Covilis, Portugal. Covilis boasts the Group's first large parabolic cylindrical mirror line, with an annual production capacity of more than 2 million mirrors. The facility primarily supplies markets in southern Europe, the United States, the Middle East and Australia.

Saint-Gobain Performance Plastics makes ethylene tetrafluoroethylene (ETFE) film to protect photovoltaic panels. The Group has invested in new plastic film production lines at its plant in Worcester, Massachusetts (USA). To support market growth, we have also equipped the new photovoltaic lab at our R&D center in Northboro, Massachusetts to perform durability tests for the entire product range.

In 2009, CertainTeed Corporation announced that it had forged a partnership with SRS Energy in Philadelphia, Pennsylvania (USA). SRS Energy has developed photovoltaic roofing tiles with CertainTeed made from energy-generating polymers. This attractive, energy efficient solution is scheduled for market roll-out in 2010.

Also in 2009, CertainTeed and Energy Conversion Devices (ECD), the world's leading provider of thin-film solar laminates, made significant progress in developing roof-integrated photovoltaics for residential and commercial buildings. CertainTeed intends to deploy several products from this joint development agreement in 2010.

Saint-Gobain also promotes hydraulic and wind power solutions. In Norway, for example, Building Distribution Sector banner Dahl supplies small-scale hydraulic power plants. In wind power, the Innovative Materials Sector—High-Performance Materials Division's Cerec unit manufactures ceramic ball bearings whose long working life and ability to withstand significant loads make them an excellent choice for wind turbines.

Several other Group banners are expanding their range of energy solutions. In the United Kingdom, for example, Building Distribution banner Greenworks (founded in 2006) has published the *Greenworks Product Guide—Renewable Energy, Sustainable Heating and Water Saving Solutions*, which is also distributed in Jewson and Graham outlets. The guide responds to growing demand for these types of solutions, spurred by new sustainable development legislation in the UK, consumer pressure and rising energy prices. Products presented include solar collectors, heat pumps, photovoltaic panels, wind turbines, the Unico small-duct central heating and air conditioning system, rainwater collection systems, biomass boilers and other solar energy products.

Processes are also being reviewed to promote the use of biomass (see page 38).

Reducing energy consumption

Innovative products for reducing reliance on fossil fuel

The solid oxide fuel cell (SOFC) is an extremely interesting development from both a business and an environmental standpoint, as it uses fossil fuels more efficiently and substantially reduces CO_2 emissions in household use. Solid oxide fuel cells use stacked functional-ceramic layers that convert chemical energy directly into electrical and heat energy. By combining electricity generation and heat recovery, such systems can achieve overall fuel efficiency of more than 80% and electrical efficiency of more than 45%. This technology is expected to expand rapidly in the years ahead. Saint-Gobain is actively participating in SOFC research, with a focus on the ceramic layers in the fuel cell stack. Our involvement spans from raw material processing to assembly.

Lastly, Saint-Gobain PAM is developing a full range of solutions for cast-iron underground heat exchangers. In these shallow geothermal systems, outside air passes through a horizontal network of cast-iron pipes buried one to two meters underground. Because the air is heated or cooled to ground temperature, depending on the season, this passive system reduces the need for heating and air conditioning. What's more, it consumes practically zero energy in use.

High-performance automotive glazing

Compared to traditional automotive glazing, Saint-Gobain Sekurit's heat-resistant solutions significantly reduce the need for air conditioning, leading to improved fuel efficiency. For example, optimally combining a heat-reflective windshield with extra-tinted heat-absorbing glass for the rear and rear side windows cuts fuel consumption by 2.4% per 100 km and CO_2 emissions by 5g/km, at speeds of 90 kph. Tinted and extra-tinted glass with heat-reflecting or heat-absorbing properties considerably improves thermal comfort for vehicle occupants while effectively addressing the environmental concerns of fuel consumption and CO_2 emissions. Moreover, the thin automotive glass now appearing on the market is lighter than traditional glass, which means it will help automakers meet their objectives for lighter weight vehicles that consume less fuel.
In addition, a major R&D effort is underway to improve recycling of automotive glass, using modules or submodules that are easily dismantled to provide a simpler, less costly and more environmentally friendly method of recycling at the end of the product's life.

Developing water transport solutions

Pipe Division products address a major sustainable development challenge, namely the supply of drinking water and the removal of wastewater. As urban centers expand, water has to be brought from farther and father away. The Pipe Division manufactures large pipes of up to two meters in diameter that are used to transport drinking water to major cities across dozens or even hundreds of kilometers. In many countries, these pipes meet a vital need.

Each year, the Pipe Division is involved in worksites in more than 120 countries on average, supplying more than 40,000 km of piping. The Division has won numerous major contracts. For example, it is working on Finland's largest water supply system, with a contract for 96 km of 1,200 mm-diameter ductile cast iron pipe, representing 50,000 metric tons of cast iron. Deliveries for this environmentally friendly project, which will use natural filtration, are scheduled to run through 2010.

Saint-Gobain products are particularly well suited for water transport, 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. What's more, thanks to the pipes' easy-fit couplings, very few technical resources are required for installation. Saint-Gobain PAM is reducing its energy and raw material use, as well as CO_2 emissions, by developing lighter weight pipe ranges like BLUTOP® (50% lighter) and more ergonomic installation processes. Its new ZINALIUM® coating also increases pipe lifespan by a factor of three compared to standard coatings. Saint-Gobain applies stringent standards in selecting coatings, seals, patching material, lubricant pastes and other materials that have been formally approved in France for use in the manufacture of water supply and distribution products.

In addition to pipe transport, the Pipe Division offers financial engineering services to local authorities, aiding them in their efforts to obtain project finance from banks, insurance companies and other financial organizations. The Division monitors and maintains an active presence among major global funding agencies such as the World Bank, regional development banks and European and Arab funds, and gives customers the benefit of its knowledge of these organizations and their procedures.

Partial renovation of the supply network for the fountains at Versailles

In 2009, Saint-Gobain PAM delivered TAG 32 ductile cast iron pipe to the celebrated Château de Versailles to replace part of the cast iron water supply system for the garden fountains, laid more than 300 years ago. 80% of the original network is still in operation, attesting to the longevity of cast iron. Because cast iron can be recycled over and over without compromising its mechanical properties, the old pipes will be recovered and used to make new pipes-although a few will be conserved for their historical value

Raising awareness among stakeholders

A collective approach

In response to the challenge of global warming, Saint-Gobain has adopted a proactive communications policy to raise public awareness about the enormous impact of buildings on the environment (through their CO_2 emissions) and on fossil fuel consumption, and to convince the public to take action to significantly reduce this impact.

Isover recognizes best energy efficiency practices

In 2009, architects from seven European countries took part in the second Isover Energy Efficiency Awards, which recognized 17 ambitious, innovative projects to make new or renovated residential and non-residential buildings more energy efficient.

A document published for the awards ceremony in June 2009 highlights the best projects, describing the performance achieved and solutions deployed. This document will help convince the architects' future clients, as well as members of the European Parliament who are unsure about the feasibility of enhancing thermal regulations.

In late 2003, Saint-Gobain Isover and Saint-Gobain Eurocoustic from the Insulation Division, Placoplatre from the Gypsum Division and Saint-Gobain Glass from the Innovative Materials Sector—Flat Glass Division were among the founding members of **"Isolons la Terre contre le CO_2"**, a French group dedicated to generating support for energy efficient buildings among the general public, public officials, opinion leaders and relays. Prompted by local subsidiaries of Saint-Gobain Isover, a number of sister associations have been established since 2005, including **Isoterra** in Belgium, **Spaar het Klimaat** in the Netherlands and **Isolando** in Italy. In Germany, Saint-Gobain Isover G+H has launched **CO_2NTRA**, a similar program designed to combat CO_2 emissions.

Isolons la Terre played a major role in creating and developing France's **Effinergie** label for very low energy consumption buildings. Effinergie has brought together a range of institutions with a stake in energy efficiency, including leading construction industry professionals, public authorities, local governments and the banking sector. Through its companies, the Group has helped spur regulatory progress in favor of more energy-efficient buildings—including both newbuilds and renovations—by introducing an energy performance diagnostics system. It has also boosted funding for energy-efficiency initiatives through campaigns to mobilize the banking sector.

In France, Saint-Gobain is a member of the **" Club de l'Amélioration de l'Habitat"**, a group comprised of both government agencies and private firms active in renovation projects, as well as **Promodul**, a trade association committed to energy efficiency and building comfort.

In a sign of its commitment to environmental protection and sustainable homes, the Group is also a member of **Green Building Councils** trade associations that promote sustainable housing, and are actively supporting its commitment to protecting the environment. Saint-Gobain has joined the **Green Building Councils** in several countries, including the United States, Colombia, South Africa, the United Kingdom, Italy, the Netherlands, Spain and Germany.

These partnerships will give Saint-Gobain the opportunity to share its expertise in environmental quality with other businesses and encourage best practices in the building industry, while recognizing each country's specific characteristics.

Educating young people

The young people of today will drive change in the future, which is why Saint-Gobain is committed to raising their awareness of the environmental challenges we face. Each of the Sectors is actively engaged in this task.

The Packaging Sector, for example, educates consumers about glass container recycling and its environmental benefits. The Sector's campaigns are especially geared to children and young adults.

In Europe, Packaging Sector companies have signed onto the European Container Glass Federation's Friends of Glass movement, which uses youth-friendly Internet resources to raise awareness. A video clip featuring Hank the Singing Bottle, launched in the spring of 2009, illustrates the movement's fun approach to recycling glass.

In Italy, the Group renewed its participation in a campaign to teach young people about selective sorting in 2009. Members of Assovetro, the Italian association of glass manufacturers, met with students at the 13^{th} Ecomondo show, an international exhibition devoted to recycling, energy efficiency and sustainable development.

In the United States, Saint-Gobain Containers brought out a second episode in its animated series "The Adventures of Captain Cullet and the Little Gob o' Glass", which highlights the importance of glass recycling. The Captain Cullet educational program for primary schools is designed to raise awareness with two short videos ("The Original Adventure" and "Becoming a Glass Super Agent"), an activity book with age-appropriate games, mazes and puzzles and downloadable coloring pages.

Since 2005, the Insulation Division has organized a competition for architecture students on thermal and sound insulation, energy efficiency and building comfort solutions (www.isover-students.com). In 2009, 132 participants from 16 countries were asked to design a Multi-Comfort corporate headquarters building offering excellent thermal insulation and airtightness, environmental protection features and maximum comfort for occupants. Awards were handed out in four main categories and three special categories in recognition of projects combining functionality and esthetics in a design and construction package that complies with Multi-Comfort House principles.

The Building Distribution Sector's role

The Building Distribution Sector primarily targets members of the building trade and plays a central role in educating them on the environmental aspects of selecting and using building materials. The Sector's banners have introduced numerous initiatives in this area. Point.P in France, for example, has been offering a waste disposal service that encourages environmental awareness among builders for the last several years. In the United Kingdom, Saint-Gobain Building Distribution UK & Ireland's main banner, Jewson, has joined forces with the UK Environment Agency to inform customers about plaster and plasterboard recycling. The campaign provides Jewson customers with specific instructions on how to recycle plaster-based products. In Spain, banner Plataforma de la Construccion identifies green products in its catalogue with three dedicated logos: "environmentally friendly", "renewable energies" and "energy efficient".

Back in France, Point.P and Lapeyre have developed in-house awareness campaigns for employees. Lapeyre's first environmental communication kit includes three fact-filled posters with handy tips on paper, waste and energy consumption. For the last several years, Point.P has put out leaflets and guidelines to inform employees about its EHS commitments, wasted electricity, hydrocarbons and other topics.

Training professionals

The home of the future will be built in partnership with the entire construction industry. To help customers and partners embrace green principles, a broad-based program has been introduced to train builders in emerging energy-saving techniques and solutions. In 2009, more than 17,000 training sessions for small contractors, specifiers and distributors were held in France.

The Construction Products Sector opened several training centers in 2009. A third Placo® and Isover center dedicated to plaster and insulation was inaugurated in Chambéry, France in February. Saint-Gobain Weber opened its first training center in Norway in March and the Construction Products Sector unveiled its first center in Italy in June (see page 60). In Brazil, seven new Brasilit and PlacoCenters training facilities came on stream during the year.

By opening these centers, we help small contractors, installers and other building industry professionals meet their own customers' expectations in a market shaped by significant improvements in energy efficiency, new regulations and other major changes. The Pipe Division has taken a similar approach with Saint-Gobain PAM's school for customers and Université Cana and CertainTeed's training centers in the United States.

The Building Distribution sector also puts a priority on training for professionals. In Germany, more than 600 contractors from across the country attended the third Holzrahmenbatag organized by Saint-Gobain Building Distribution Deutschland on building techniques for wood frame houses. Information was provided on the latest techniques, innovations and directives covering wood frame newbuilds and renovations. Saint-Gobain Building Distribution Deutschland has made deep inroads in this expanding market over the last several years and is counting on its team members' technical skills to make the difference. For this reason, the Saint-Gobain Building Distribution Deutschland Academy has set up a training session for employees in partnership with several skills centers specialized in wood and roofing.

In the UK, Saint-Gobain Building Distribution UK & Ireland's renewable energies banner Greenworks inaugurated a first-of-its-kind training center in 2009 in partnership with the country' leading trainer in microgeneration and renewable energies. Twenty specialized packages have been developed to provide contractors with the skills they need to implement sustainable solutions and renewable technologies.

In France, the Novibat regional trade show created by Point.P to showcase new products focused on all types of energy performance solutions in 2009. Events were also organized in a number of demo areas during the show to give professionals a more in-depth view of the related techniques.

II. OUR ENVIRONMENTAL, HEALTH AND SAFETY COMMITMENTS

Our manufacturing, distribution and research activities are defined by the overarching principle of respect for people and for health, safety and the environment. We have instituted policies on environmental protection and industrial health and safety that are binding across the Group.

A comprehensive Environment, Health and Safety (EHS) system

Developing resources and a roadmap

At Saint-Gobain, we leverage several resources to deploy our **EHS policy**—described in the commitment letter signed by the CEO—and to broadcast the objectives defined in our EHS charter (see introduction).

The «Charter and Resolutions» brochure is issued to all operating personnel and to facility managers, in particular. It defines the objectives and obligations of Group companies with regard to risk assessment and subcontracting.

The EHS Frame of Reference is a guide to EHS management, offering a detailed description of our practices in this area. Describing each phase in the process in a straightforward manner, from identification and planning to action plan implementation, evaluation and monitoring, remedial action and adjustments, it serves as a reference base for all Group systems. In the Building Distribution Sector, the Frame of Reference has been tailored to the specific nature of each business.

The EHS Handbook is a compilation of best practices found within the Sectors and is intended for Group senior management. Its purpose is to distill our EHS policy guidelines and associated management systems, as well as the EHS resources, standards and recommendations that staff can apply directly in the field. The handbook was updated in 2009 to include new EHS standards and regulations.

Senior management establishes priorities and quantitative **objectives** for the Group as a whole in the areas of health (deployment of standards), safety (reduction in workplace accident frequency rates) and the environment (optimized use of materials combined with reduced emissions). These objectives are transposed by the Sectors and Delegations in accordance with the conditions applicable to their business. The facilities use the objectives as a reference framework from which to design an annual EHS policy, taking into account their specific constraints. By taking an integrated approach to the environment, health and safety, the Group is able to get a comprehensive view of these interrelated issues and act more effectively. The EHS objectives for 2008-2010 were announced to Group managers by the CEO in September 2007 and were rolled out to each Division in 2008.

The documents described above are available through the EHS portal on the Group intranet site. This interactive forum for providing and sharing information is an effective, responsive resource for keeping all Group employees up to date about EHS issues.

Extending EHS policy to temporary staff, subcontractors, suppliers and customers

The EHS policy applies not only to Saint-Gobain employees but also to **temporary staff** working at Group sites. To help Saint-Gobain manufacturing and distribution sites develop EHS procedures based on resources adaptable to any environment, an EHS checklist was established and distributed in 2008. The items on the checklist are currently being deployed.

To improve workplace safety for temporary staff, an enhanced prevention system pilot project has been introduced at four sites in France in cooperation with temporary employment agencies. The agencies support their staff on site and implement prevention and awareness-raising measures to take workplace safety into account more effectively.

In 2010, Saint-Gobain will include safety data for temporary staff in its internal presentations alongside data for Group employees.

In addition, the Group will audit certain agencies in accordance with its safety standard on managing contractors.

Lastly, a Purchasing Charter, based on the Principles of Conduct and Action with specific application to the purchasing function, encourages buyers to take sustainable development criteria into account in their supplier selection processes. A Suppliers' Charter governing requests for proposals has been distributed to a selection of service providers and outside contractors. More extensive distribution is planned. The Suppliers' Charter describes our policy of giving preference to companies that fully subscribe to the principles of sustainable development and health and safety in the workplace.

We also communicate with **customers** about our EHS policies.

Mobilizing resources to deploy the EHS policy

The EHS Department provides management and supervisory resources to help sites develop their own EHS practices, in line with Group policy.

Effective management methods

We recommend that our sites adopt certain management practices designed to deliver the best results in terms of environmental protection and industrial health and safety.

In 2004, the Group initiated across-the-board deployment of the **"5S"** management method as part of the **World Class Manufacturing (WCM)** framework. Already in use for several years at a number of Group sites, this method has proven effective in enhancing safety, quality and productivity. It is based on five principles: sort, set in order, shine, standardize and sustain.

World-Class Manufacturing is a structured approach to manufacturing excellence currently being deployed in all of our industrial Sectors. It comprises two main pillars: EHS and risk prevention. Following a series of pilot projects, notably within the Gypsum Division and the Brazil Delegation, a Groupwide program was launched in 2007. Fostering continuous improvement and operating efficiency, WCM projects have significantly improved manufacturing safety and performance while quickly generating financial results. WCM projects are currently underway at nearly 550 Saint-Gobain sites and the program is being extended to all of the Group's manufacturing operations.

Rigorous standards and recommendations

In addition to these general management practices, we have developed a set of **recommendations** and mandatory **standards** dealing with specific EHS issues. They are conveyed through a variety of media, including implementation guides, procedures, training kits and IT resources. The standards require employees to implement a uniform risk assessment method to quantify and control risks, ensuring that the same preventive measures are used across the Group, regardless of the country or local legislation concerned. These measures are deployed simultaneously across the Group. Our EHS standards and recommendations are described below under the relevant headings. The standards governing toxic agents and noise, for example, are addressed in the section on industrial health, while the accident analysis standard is discussed in the section on safety. These resources constitute a shared methodological foundation for EHS departments within the various Sectors, Divisions and Delegations, and can be enhanced with specific recommendations for particular businesses or that reflect local regulations.

A coordinated network of expertise

The EHS system hinges on a **network of correspondents that mirrors Saint-Gobain's matrix organization**. The correspondents' activities are coordinated by a corporate unit that reports directly to Group senior management. Within each Sector, one or more employees are appointed to propose an EHS policy tailored to the specific nature of the Sector's operations and to oversee its implementation. Similarly, within each General Delegation, a representative is selected to coordinate Group, Sector and Divisional EHS initiatives at the local level and to ensure compliance with local regulations and Group standards. These EHS representatives work in turn with correspondents at the various companies and facilities. In liaison with the Group's EHS Department, these professionals form a network responsible for supporting operations managers in developing and implementing EHS policies. This organizational structure enables the EHS function to remain close to business operations, respond to specific local circumstances and ensure overall consistency.

The **International EHS Committee**, composed of Sector and Delegation heads, meets twice a year to take stock of EHS policies, learn about resources available to the network for deploying these policies and share best practices. Similar meetings are increasingly being held within each Sector and Delegation, so that EHS staff can exchange ideas on issues specific to their business or local environment.

Within the EHS network, doctors and industrial hygienists also meet to set objectives and develop preventive methods and resources to promote workplace health and industrial hygiene. The results of their collaboration are then presented to the Group.

In addition, **regular meetings are held on matters of general interest relating to EHS**. These meetings bring together specialists in the field to discuss relevant topics, such as the database of chemical substances used within the Group—an essential resource for complying with the European Union's REACH[1] legislation (see page 45).

Forums such as these, enhanced by regular exchanges and information circulated through the various EHS communication channels described above, ensure that EHS staff form an effective network.

(1) Regulation (EC) N° 1907/2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), and establishing a European Chemicals Agency.

Close cooperation with research and development centers

The Group's Research and Development centers cooperate with the EHS network at three different levels to enhance our environmental protection, industrial health and safety performance.

Making EHS an integral part of product innovation

Research and Development is situated at the start of the new product design process. For each project, the R&D teams consider a potential product's impact on human health and the environment across its lifecycle—uring manufacture and use right through to final disposal. In 2008, an EHS sign-off procedure known as Saint-Gobain EHS Stage Gates was added to the process for managing Research and Development projects. At each major "gate" in the process, project managers submit an EHS checklist to the steering committee that identifies all issues to be addressed during the course of the project—from raw materials and manufacturing processes to product use and end-of-life treatment.

Making EHS an integral part of process innovation

The R&D teams also look continuously for ways to improve existing processes, notably as concerns EHS. The Saint-Gobain Recherche and Saint-Gobain Conceptions Verrières research centers regularly join forces to improve the environmental performance of glass-melting processes, for example through enhanced combustion to minimize nitrogen oxide (NO_x) emissions; techniques to treat stack gases, save energy and reduce carbon dioxide (CO_2) emissions; and recycling of products and process waste. Research is also being conducted in non-glass activities in pursuit of similar objectives, such as to reduce the amount of water used by the Gypsum Division to manufacture plaster.

R&D projects on using biomass in processes have been introduced by the Packaging Sector, as well as by Innovative Materials—Flat Glass.

Biomass

In a comprehensive approach, the Packaging Sector is conducting R&D into how biogas can be used as a fuel for glass furnaces and creating partnerships with potential suppliers of raw materials. Once it has identified biomass sources near its plants, the Packaging Sector gives preference to those linked to local communities or its customers' businesses.

Saint-Gobain Oberland, for example, is currently studying a project to process biogas from farm or forest waste to supply its Bad Wurzach (Bade Wurtemberg) plant, with an initial objective of providing between 5% and 10% of the three glass furnaces' energy needs. As the world's largest wine bottle maker, the Packaging Sector has launched an ambitious research program to produce a syngas from vineyard biomass with the specific characteristics required for the container glass melting process.

A pilot project in France's champagne-making region has been set up to supply 5%-10% of the energy needed by the furnace that makes champagne bottles by end-2011. Thanks to the experience gained from these tests, the Sector hopes to ultimately increase the percentage of energy from biomass used in its furnaces to 50% or more. Not only will this reduce fossil fuel CO_2 emissions from glass packaging plants, but it will also help shrink the plants' environmental footprint by turning waste to energy.

Working together to meet new EHS challenges

- **Ultrafine particles**

One example of this type of teamwork is the research underway since 2005 into the risks posed by ultrafine particles. Although we are not actively involved in this field, some of our research requires us to work with ultrafine particles. We have therefore compiled an implementation guide for Research and Development teams with a view to restricting the use of ultrafine particles to certain sites, creating specially equipped facilities to protect R&D staff and setting out specific handling procedures. A computer-based system for applying the guide was rolled out in 2009 in the R&D centers that have been authorized to work with ultrafine particles. The system, which will help R&D project teams get a better view of the EHS risks involved, will be included in the Saint-Gobain Stage Gates procedure. A valuable tool in the decision making process, the system will be fully deployed in authorized R&D centers as from 2010.

Crystalline silica

In 2009, researchers at our Shanghai R&D center, in collaboration with the EHS team, transposed a method for measuring crystalline silica in samples. Implementation of this very specific methodology will make it possible to analyze samples from Group sites in Asia-Pacific and facilitate deployment of Saint-Gobain's standard across the region.

Research and Development underpins our strategy of development and leadership in the habitat and construction markets. Budgets for projects related to environmental protection and energy savings rose to €64.2 million in 2009 from €41.5 million in 2008 (see indicators, page 81).

Accurate EHS reporting

Since 2004, the Group has used a centralized EHS reporting system known as Gaïa (see Reporting Methodology, page 77).

A customized audit system

Our EHS audit system includes EHS cross-auditing and self-diagnostic processes, initiated by the EHS Department, and a self-assessment process, initiated by the Internal Audit and Control Department.

EHS audits

EHS audits provide the most in-depth and reliable assessments of EHS performance.

Under this system, 12 or 20-step cross-audits are performed by teams from outside the audited Sector who have a thorough knowledge of Saint-Gobain's EHS policies. These integrated audits incorporate our core environmental, industrial health and safety concerns and are based on procedures that are fully consistent with the OHSAS 18001 and ISO 14001 standards. The 20-step and 12-step audits are used for the Group's manufacturing operations. Between January 1 and November 30, 2009, 90 12-step audits and 155 20-step audits were performed. Industrial sites are audited at least once every three years. In 2009, audits were conducted in many countries, most recently in the United Kingdom, Spain and France.

EHS auditors are drawn from a pool of specially trained and experienced managers, primarily from the EHS field but also from other areas such as Human Resources, quality assurance and risk management.

These audits are designed to yield practical recommendations. The site manager and the local EHS manager, with support from the EHS Department at the Delegation level, are responsible for ensuring that the resulting action plans are carried out.

There are 635 auditors for all of the Delegations. They take part in a professional certification course taught by outside consultants who specialize in auditing techniques and by seasoned in-house auditors with expertise in Saint-Gobain's internal auditing process.

At recently acquired Maxit, integrated audits were conducted in 2009 in a number of units, in accordance with the audit plan defined by the Delegations. Similarly, a number of EHS coordinators at Maxit sites received training in Saint-Gobain's EHS standards, based on a training schedule set by each Delegation, to enable them to join Saint-Gobain's team of EHS auditors. Overall, Maxit has been brought under Saint-Gobain's EHS umbrella as scheduled.

Audit quality assessments have been carried out in France since 2006. These assessments are used to evaluate satisfaction levels and identify areas for improvement.

In 2009, a specific, customized audit was developed for the Building Distribution Sector to replace the 12-step audit used previously. Known as ESPR for Environment, Safety and Prevention of Risks, the audit includes a section on equipment safety and business interruption risk. The majority of ESPR auditors belong to the Building Distribution Sector. In 2009, 134 auditors conducted 277 ESPR audits.

In France, where almost all audits performed in 2009 were ESPR audits, 70 auditors received ESPR training. Training is continuing in several Delegations.

Internal control: compliance statements

Compliance statements[1] are used to periodically assess units' compliance with a number of internal control reference base fundamentals. In 2009, five questions concerning EHS were included in the compliance statement to ensure that Group requirements are met or that corrective action has been taken.

Self-diagnostics

Self-diagnostics are used to make a general assessment of EHS practices at a given site. They include a detailed list of questions and an evaluation grid, designed to provide facility managers with a quick and easy overview of EHS conditions at their sites. Saint-Gobain uses two types of self-diagnostic, one for industrial operations and the other for distribution sites with fewer than 50 employees. The latter takes into account two specific attributes of the Building Distribution Sector: i) the presence of customers on the site and ii) a supervisory structure that is more dispersed and therefore occasionally less visible, providing limited guidance. These self-diagnostics are now being implemented in all of Saint-Gobain's newly acquired companies and continue to be used on an annual basis at the discretion of Asia-Pacific, North America and certain other Delegations.

(1) See Chairman's report on internal control, page 132.

2008-2010 objective

Saint-Gobain is committed to the objective of systematically conducting 12- and 20-step audits at least once every three years at each site in its Industrial Sectors. It is also committed to performing ESPR audits in the Building Distribution Sector in accordance with the schedule set out for each unit

An assertive certification policy

Certification of concerned sites remains a Group priority, in accordance with the target set in 2007 to obtain ISO 14001 certification for 80% of these sites by 2010. As explained in the Reporting Methodology section (see page 77), concerned sites are those with the greatest environmental impact, as measured by their energy use, water use, quantity of nonrecycled waste and other criteria. Non-concerned sites, such as Building Distribution Sector builders' merchant outlets, are also strongly encouraged to incorporate environmental certification into their action plans. Jewson, the leading UK distributor of wood products from managed forests and building materials, obtained ISO 14001 certification for its 500 branches after a rigorous three-year assessment program. This certification rewards the banner for its commitment to implementing an effective environmental management system at all levels of the organization.

SGBD Deutschland and Point.P LMP in southern France have received triple ISO 9001, ISO 14001 and OHSAS 18001 certification, recognizing the deployment of a comprehensive management system for quality, environment, health and safety. SGBD Deutchland's certification covers its headquarters in Frankfurt and 260 sales outlets.

As of December 31, 2009, nearly 55% of concerned sites were ISO 14001-certified versus 46% in 2008 on a comparable scope basis. 85 new concerned sites are preparing for **environmental** certification. In 2009, 252 Saint-Gobain sites were awarded OHSAS 18001, BS 8800 and other **health and safety** certifications, compared with 197 in 2008 on a comparable scope basis. In addition, 723 Group sites have earned ISO 9001:2000, ISO 9002, QS 9100 and other **quality** certifications, compared with 678 in 2008 on a comparable scope basis.

2008-2010 objective

ISO 14001 certification will be obtained for more than 80% of concerned sites by end-2010, with 55% already certified as of 2009. Another 21%, or 85 units, are preparing for certification. The sites were selected for inclusion by the Sector or Division on the basis of water use, energy consumption, emission levels, waste volume and other environmental criteria (see Reporting Methodology, page 77)

Substantial financial resources

Environmental spending in 2009 totaled €123 million and included the following outlays:

- €1.9 million to obtain or renew ISO 14001 or EMAS environmental certification. This includes all certification-related expenses and charges for outside consultants, internal and external training, the development and upkeep of EMS and ISO 14001 systems, audits and certification coordination and review meetings.
- €9 million for technical measures, including the cost of measuring air, groundwater and noise pollution and other emission levels, the cost of measurements carried out by independent laboratories, and the cost of impact and hazard assessments requested by authorities prior to granting operating permits and environmental authorizations.
- €13.7 million to cover the cost of soil decontamination, rehabilitation of decommissioned sites and miscellaneous items.
- €64.2 million in environment-related Research & Development spending.
- €4.85 million for insurance and warranties, comprising all insurance premiums covering accidents and pollution with a potential environmental impact—including pollution beyond the company's property—and warranties for environmental risks such as soil pollution.
- €21.5 million in personnel costs for environmental management staff. This does not include salaries of employees in charge of waste sorting, water treatment activities or maintenance of gas treatment equipment.
- €7.1 million for environmental taxes, including all environmental management taxes and levies paid to local authorities or associations such as water management boards.
- €0.45 million to cover the cost of environmental incidents, including the cost of making good environmental damage arising from recent incidents and, where applicable, the cost of restoring compliance.
- €0.35 million for environment-related fines, including all fines levied by authorities as a result of regulatory non-compliance or recent environmental incidents.

Capital expenditure on environmental protection measures, including spending on both compliance programs and voluntary initiatives, totaled €47.4 million in 2009.

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. These provisions totaled €167 million at December 31, 2009.

Comprehensive training

Training offers a unique opportunity to provide employees at all levels in the organization with the knowledge they need to fulfill EHS policy objectives. Environment, health and safety accounted for 24% of training hours provided in 2009.

The Group is careful to design a core EHS curriculum for all training courses covering essential and recommended training topics for each function. This training is provided at the local level with support from the Delegations. The courses address management issues as well as key areas such as risk identification, industrial hygiene and environmental compliance techniques, audit procedures and feedback. The core EHS curriculum is now available in all the Delegations for application. After deploying Safety/Senior Management Audit Tool or SMAT training throughout the Group in 2008, we included an introduction to EHS in all Group Management Institute seminars in 2009.

SMAT

SMAT (for Safety/Senior Management Audit Tool) is a system that uses observation and discussion to raise awareness among employees about how their behavior impacts their own safety and that of their co-workers. The Gypsum Division has been using SMAT for several years and has made significant strides in establishing a safe workplace, prompting the Group's senior management to extend its use to all Sectors in 2008. The CEO and Senior Vice President for Human Resources received SMAT training when the system was first deployed. Each Delegation uses a local service provider to conduct the training, based for the key points on the Saint-Gobain SMAT standard, which is available online on the EHS intranet.

SMAT video contest

The SMAT video contest launched by the Construction Products Sector in early 2009 to promote SMAT in its plants was a resounding success. A total of 26 entries from 10 countries and representing all Divisions were submitted, reflecting team members' active involvement in the project and their commitment to improving safety. Saint-Gobain PAM (France) won the contest,in which participants were asked to produce a video showing how to carry out an effective SMAT program in compliance with Saint-Gobain standards. The best entries were compiled in a single video for all countries that will be used in training to improve the quality of SMAT programs.

Lastly, Saint-Gobain makes every effort to educate employees about EHS-related issues via print media, internal communication and other methods. International Environment, Health and Safety Day provided an opportunity to raise awareness of EHS issues among Group employees. The event represents one of the highlights in our Communication On Progress for the United Nations Global Compact.

Extensive communication

Events

The **Health & Safety Diamonds** awards ceremony has been held each year since 1990. During the ceremony, the sites with the best health and safety results are recognized and their best practices are shared with the rest of the Group. The event promotes healthy competition and provides an opportunity for useful exchanges among all participants. In 2009, 25 units in 17 countries won awards for health and safety improvements in 2008. A number of Delegations, including Brazil, the United Kingdom, the United States and Italy have set up similar ceremonies of their own to give their teams added encouragement.

An International Health and Safety Day was held in 2004 and again in 2006, to raise awareness among both Saint-Gobain employees and outside contractors. The International Health and Safety Day held on May 15, 2008 addressed the topic of the environment for the first time, in line with the Group's strategic positioning in environmental solutions. At these events, each Group facility is encouraged to organize workshops, conferences, games and other initiatives, with input from employees, workplace health and safety committees and representatives of consultative bodies, among others. At the same time, managers are encouraged to become more involved in health and safety matters through direct action, field visits and participation in site activities. The next International Health and Safety Day will take place on October 7, 2010.

In-house publications

The safety scorecard is published each week in The Bridge, a newsletter sent to managers in all host countries. The Month, a magazine published in four languages, regularly carries articles on EHS topics. In January 2005, the EHS Department launched a special EHS newsletter called EcHoeS for the entire EHS network. Lastly, the Group and Delegation intranets offer 24/7 information on Saint-Gobain's EHS policies and performance.

The Delegations and Sectors also include EHS information in their own internal communications. A number of Delegations, including Asia-Pacific, Spain, India, Italy and United Kingdom, Ireland & South Africa publish newsletters devoted to EHS issues, as does the Packaging Sector. However, the bulk of communication takes place at the sites themselves, because, like training, it plays a vital role in improving performance.

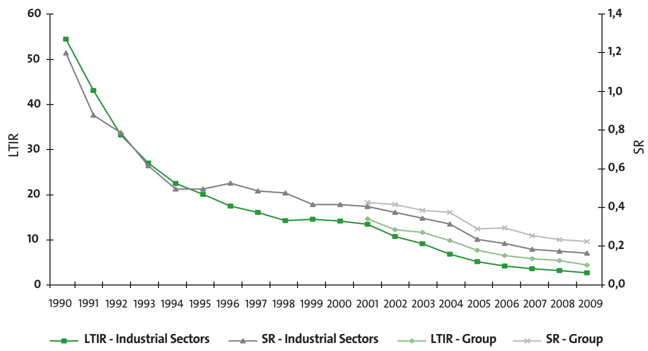
Encouraging results

Safety

Incident frequency and severity rates

Lost time incidents

As part of our safety policy, we use a number of specific indicators to monitor our progress and performance. The lost-time incident rate (LTIR), defined as more than 24 hours' lost time, stood at 3.8 in 2009, representing a one-point improvement from 2008 and a 27% decrease from 2007. This compares with a target for 2009 of less than 4.2. The severity rate (SR), defined as the number of lost-time days per thousand hours worked, stood at 0.21, down 0.01 points from 2008 and down 13% from 2007.



All of the Sectors reported steady improvement. The lost-time incident frequency rate in the industrial Sectors declined from 2.6 to 2.1 in 2009, a decrease of 30% in two years. At the same time, the severity rate fell to 0.15, representing a decrease of 12% over two years. The Packaging Sector posted the greatest improvement in LTIR during the year, with a 34% decline from 2008, while the Innovative Materials Sector—High-Performance Materials Division once again reported the best score at 1.4 (down 0.2 points). With an LTIR of 2.7, the Innovative Materials Sector—Flat Glass Division improved its score by nearly 25% over 2008. The Construction Products Sector's LTIR also improved from the previous year, by 17%.

Progress continued in the Building Distribution Sector, where the LTIR dropped to 6.9 in 2009 from 8.7 in 2008, and by 28% over the past two years. This performance put the Sector ahead of schedule in meting its target of 7 by 2010. The Sector's severity rate declined as well, to 0.32, for a 14% decrease in two years.

Reportable incidents

The Group also monitors the frequency of reportable incidents, corresponding to incidents that lead to medically diagnosed injuries regardless of whether they result in lost time. In the industrial Sectors, the total reportable incident rate (TRIR) stood at 8.2 in 2009 compared with 11 in 2008, for a 25% improvement. The Group's target for the industrial Sectors is a TRIR of below 7 by end-2010.

Data used to calculate frequency rates of recorded incidents and so-called near incidents are not yet wholly reliable, but they nevertheless provide representative data that can be communicated to the workforce. The Group's EHS newsletter, *EcHoeS*, includes a section entitled "Remain Vigilant" that describes a recent incident or near-incident, explains the measures that were taken and reminds readers about safety guidelines.

2008-2010 objective

The Group is targeting an overall lost-time incident frequency rate (LTIR) of less than 3.7 for 2010, with a goal of 7 for the Building Distribution Sector, and a total reportable incident rate (TRIR) of less than 7 for the industrial Sectors. The Group's LTIR improved to 3.8 in 2009. LTIR in the Building Distribution Sector stood at 6.9, while TRIR in the industrial Sectors came to 8.2.

Preventing serious accidents

The number of fatal work-related accidents involving either Group employees or other workers declined significantly in 2009, with five fatalities versus 14 in 2008.

We regret to report that there were three work-related deaths among Saint-Gobain employees (versus eight in 2008) and two among employees of outside contractors (five in 2008) during the year. There were no fatalities among temporary workers (one in 2008) or other third parties (zero in 2008).

The Group recorded nine non-work-related deaths among employees in 2009 (versus eight in 2008) and nine fatal accidents during commutes (four in 2008).

To enhance prevention of the most significant risks, the Group's senior management unveiled a Serious Accident Plan in September 2006 supported by resource indicators to monitor the effectiveness of key actions. Developed in close consultation with EHS managers at the Sectors and Delegations, the plan focuses on consolidating preventive measures, coordinating communications activities and managing outside contractors. The Serious Accident Plan process has helped the Group identify resources for reducing serious accidents. These include risk analyses, safety standards and safety training.

The overall risk assessment process is carried out using a special computer application to identify hazards, quantify the associated risks and prioritize the potential threats to health and safety at Saint-Gobain plants or Distribution outlets, with a view to determining priorities and action plans for risk reduction and control. This new application will also help the Group achieve its targets for reducing the overall incident frequency rate.

Despite the significant progress achieved, the number of fatal accidents remains unacceptable and demands priority attention. The entire Saint-Gobain management team is determined to reach the only acceptable safety target of zero work-related accidents. We are continuing to establish health and safety standards to help improve our performance in these areas. Four health standards were introduced in 2009 and two more will be deployed in 2010.

Safety standards

Building on the Serious Accident Plan, the Group has defined a number of safety standards. The causes of the most frequently reported accidents have been identified to define standards for priority deployment.

New safety standards introduced in January 2009 concern work at height, the management of outside contractors working on-site, work permits and commissioning/decommissioning procedures. Two other standards concerning lifting equipment and lift trucks were drafted in 2009 and distributed for application in the Divisions and Delegations in January 2010.

Safety standards must be applied in their entirety at each of our industrial sites. The standards include key provisions that must be adopted by each Building Distribution outlet alongside any existing standards or procedures applicable to their operations. If no other standard or procedure exists, the entire Saint-Gobain safety standard must be applied. These standards will be implemented by the various Divisions, with support and oversight by their respective Delegations. The Delegations provide support in training, sharing of locally identified best practices and finding outside experts to help implement the standards locally if needed. The units are required to report safety data annually so that the Group can assess their level of compliance.

Operating in degraded and/or maintenance mode poses an especially high risk of accidents. Consequently, a "60 seconds to think" guide is being introduced at every Saint-Gobain site. The guide presents 12 essential questions that employees should ask themselves before taking action in particular situations. Training activities will also be organized to address such situations.

The Sectors actively address safety concerns and publish standards covering the specificities of their processes. Innovative Materials—Flat Glass, for example, has developed a specific program to manage the risks involved in loading, unloading and storing glass. A catalogue of best practices, many of which are mandatory, has been updated. A system of specific audits has been put in place to assess progress made by the program and to complete its deployment in 2010. The program also includes a poster campaign entitled "Glass Falls", a two-year project to make technical improvements in glass handling equipment, an online training module on handling and warehouse traffic rules, and a module with various building blocks that outline fundamental rules and guidelines (working at height, for example). All warehouse operators are expected to comply with these modules.

Encouraging progress

The Group uses the Health & Safety Diamonds (see page 41) and the Millionaires Club to spread the word about progress at each site. Launched in March 2004, the Millionaires Club includes those sites or groups of sites that deliver the best safety performance. As of December 31, 2009, the Club had 142 member sites compared with 107 the year before. Of these, 58 had accumulated more than a million hours worked without a lost-time incident and 84 smaller sites had had no lost-time incidents for at least five years. By Sector, 83 belong to Innovative Materials, 55 to Construction Products and four to Packaging.

Two new categories were created in 2009 to highlight safety excellence: millionaire sites with no lost-time incidents over the past 10 years and millionaire sites with no lost-time incidents over the past 15 years. As of end 2009, there were 25 sites in the 10-year category and five in the 15-year category.

Industrial health and hygiene

As part of our operations, we process and use mineral and chemical substances that may potentially expose some of our employees to risks. The industrial hygiene initiatives and innovative remedial solutions we have developed seek to minimize this risk.

Reducing exposure to noise

Our industrial processes involve many different sources of noise, including cooling systems, machine tools and furnaces. Measures to protect individual employees and reduce overall noise levels have been implemented at every site.

In addition to complying with regulatory requirements in each country, we introduced our own **NOise Standard** (NOS) in 2004 to detect, measure and control potential sources of noise exposure in the workplace. The standard was rolled out to the entire Group in 2005 with the goal of protecting all employees and contractors. The standard includes guidance on establishing indicators that can be used to prioritize noise reduction initiatives, monitor conditions and track progress over time. The NOS is applicable to all Group companies regardless of local legislation, and may be more stringent than national regulations in a given country. Noise levels are determined on the basis of a specific measurement standard applied to groups of comparable types of exposure. This ensures more precise measurement of exposure levels and consistent methods of exposure assessment across the Group. Data is entered in the Gaïa reporting system, which generates a matrix that classifies the information by level of exposure (high, moderate or low). Deployment of the standard at Maxit, acquired in 2008, was virtually completed in 2009. A training kit is available to assist with local deployment of the standard.

2008-2010 objective

Each Division will monitor reductions in noise exposure as part of its annual plan.

Preventing exposure to toxic agents

Our operations entail the use of raw materials that are then processed and treated to create high-technology products—potentially leading to mineral dust and chemical exposure. We have introduced a standard policy for measuring and controlling the related risk.

The **Toxic Agent Standard** (TAS), developed in 2004, provides a framework for identifying, assessing and eliminating or controlling potential sources of exposure to toxic agents in the workplace. As with the Group's other standards, the TAS has been rolled down into implementation guides. The first of these concerns crystalline silica and was issued in conjunction with a 2005 project involving the distribution of crystalline silica kits to all Group companies, supported by appropriate employee training. The standard will be implemented at Maxit, acquired in 2008, in 2010.

Three other guides have been issued since 2004:

- The Saint-Gobain EHS Code of Conduct Applying to Nanomaterials, which was updated in 2008 as part of a joint initiative by EHS, medical and R&D personnel (see page 38).
- A guide to the use of fibrous materials that explicitly defines safety rules for employing fibrous materials in processes, equipment, systems or buildings. In 2007, with support from Saint-Gobain Conceptions Verrières, the EHS Department provided technical, engineering and research teams from each Sector and Division with online access to a Group database on fibrous materials. On October 1, 2007, Saint-Gobain imposed a Groupwide ban on the use of any fibrous material not listed in this database.
- A guide to the construction, renovation and maintenance of melting furnaces.

The Sectors and Delegations have implemented a number of risk-reduction solutions appropriate to each business. In 2002, the Innovative Materials Sector—High-Performance Materials Division developed and deployed a particularly innovative computer application called Toriman to meet TAS objectives. Toriman identifies each substance used within the Sector and, based on potential risk and conditions of use, provides information and recommendations by product family concerning the substitution of certain substances, general protective measures and, as a last resort, mandatory protective equipment to be used by individual employees. Toriman is a critical resource for enhancing toxic risk assessment in each country, regardless of differences in local knowledge and expertise. An updated version for use across the Group should be available in 2010.

Wood dust is primarily an issue for Lapeyre, which has embarked on a campaign to prevent and reduce employees' exposure at source. Lapeyre has been measuring levels of wood dust at its sites since 1996. At the same time, it has been investing in equipment to reduce wood dust volumes through ventilation or suction and to protect employees. Lapeyre is pursuing its measurement campaigns and has replaced virtually all panel saws with models that have more effective dust collection systems. In 2000, Lapeyre developed a plan to track and medically monitor employees who have been or continue to be exposed to wood dust, regardless of their current level of exposure. Initially introduced in the Group's plants, the plan was extended in 2003 to include in-store woodworking shops, where technical upgrades have been introduced in tandem with revised measurement procedures. As part of the medical monitoring plan, a monitoring guide has been developed with occupational health officials and distributed to everyone involved in prevention, both inside and outside the company. Prevention plans are also under way.

We are implementing the **European Union's REACH[1] regulation**, which came into force on June 1, 2007, and seeks to identify the substances of greatest concern with a view to phasing out unsafe applications. Under the regulation, all such substances manufactured or imported in Europe in quantities greater than or equal to one metric ton per year per legal entity must be registered. The IT Department has developed a computer application to assist with drawing up an on-line inventory of chemical products found at Group sites. In line with REACH, inventories at European Union sites were updated at the end of 2008. As part of this process, we submitted 533 pre-registration dossiers in 2008 for 105 Group companies and 202 different substances. From now on, in accordance with the "No data, no market" principle, substances that have not been pre-registered may not be manufactured or imported in Europe unless or until they have been registered with the European Chemicals Agency.

The next step is to prepare these registrations in partnership with other reporting companies in Europe. To this end, Saint-Gobain is participating in several Substance Information Exchange Forums (SIEFs) with other reporting companies in Europe who want to register the same substances.

In 2009, the Group began rolling out an online substance inventory to include all countries and all Divisions. It has also inserted a specific REACH clause in all purchasing contracts to ensure that suppliers are REACH-compliant.

Operations are identifying how inventoried substances are used so they can verify compliance with suppliers. This process should be completed before the end of 2010 for substances with a December 2010 registration deadline.

The online inventories also feed data into an analytical program designed to verify REACH compliance by Group entities in Europe. E-learning modules, available to 1,000 potential users, have been developed to support the program's deployment. The program uses the Group's substance database, S'B@SE V2, which was brought online in 2008 and updated in 2009. Saint-Gobain's goal is to combine all standards concerning risk and toxic agent assessment in the Toriman application, for which specifications were drawn up in 2009. Implementation and deployment are scheduled to begin in 2010.

At the same time, several countries are preparing to adopt the UN's Globally Harmonized System (GHS), designed to establish a uniform international hazard classification and labeling system. The REACH project team is simultaneously tracking GHS's implementation and deployment.

2008-2010 objective

Each Division monitors reductions in exposure levels as part of its annual plan. The Group has created risk prevention resources to help them. One example is the Toriman application, launched in 2009 to support deployment of the Toxic Agents Standard. Implementation and deployment of related assessment software are scheduled to begin in 2010.

In addition, in compliance with the European Union's REACH regulation, substance inventories were updated at all European sites at the end of 2008, using newly developed computer applications. In 2009, the Group began rolling out an online substance inventory to include all countries and all divisions. It has also included a specific REACH clause in all purchasing contracts to ensure that suppliers are REACH-compliant.

Enhancing workstation ergonomics

Although factory automation and the use of ergonomic assist devices have gradually reduced risks for employees, we remain attentive to problems of movement and posture at each workstation. A specific Posture/Lifting/Movement (PLM) method for identifying the risks inherent in handling operations and work postures has been developed and distributed to EHS managers in the Sectors and Delegations for use in industrial and distribution facilities. EHS guidelines have been issued, describing how the method should be used. A training DVD has also been distributed and a PLM software program, available on the Intranet, has been developed in several languages.

Four manuals highlighting various hazardous scenarios are available on the EHS intranet in French, English and Spanish. Designed to encourage operator input, each manual comprises a first section describing preventive action to be taken at the workstation and a second section to assist employees in observing and evaluating each workstation's setup.

In the Building Distribution Sector, musculoskeletal disorders represent a major health risk for employees, given the handling

(1) EC regulation 1907/2006 concerning the registration, evaluation, authorization and restriction of chemicals, and establishing a European Chemicals Agency.

activities their work entails. At Point.P, all newly hired warehouse employees attend mandatory training in proper motion and posture.

In the Pipe Division, an ergonomist devises solutions to ergonomics issues specific to the Industrial Projects unit. In addition, two assessment programs—Ergo-Progress and Ergo-Team—have been developed, the former for new investments and the latter for correcting installations at existing sites. A new version was launched in 2009 for deployment in 2010 according to a specific timetable. In this new version, the ergonomist's signature is required for all new investment requests to ensure that ergonomic considerations are taken into account at the earliest stages of the design process.

2008-2010 objective

The Posture/Lifting/Movement (PLM) ergonomics process was implemented at pilot sites in each Division in 2009.

Preventing biological hazards

Following an outbreak of **Legionnaires' disease** in France in late 2003, and the introduction of new French regulations in 2004, Saint-Gobain sites in France have taken proactive measures to prevent and control risks in this area. All potentially affected Sectors in France have taken the necessary steps to ensure compliance, including monthly or even weekly monitoring of water quality, frequent cleaning of pipes to prevent the formation of biofilm and the commissioning of audits by qualified external inspectors. In addition, many have organized training in crisis management. A number of sites have upgraded their facilities to minimize hazards. For example, dead-leg piping has been eliminated to prevent the accumulation of standing water and the emergence of the bacteria responsible for Legionnaires' disease. Although these stringent regulations currently apply solely to France, a number of businesses, such as the Innovative Materials Sector—Flat Glass, have replicated these practices in other European countries and beyond.

In response to the increased risk of an **H1N1 flu** pandemic, the Group introduced a series of preventive measures in 2009 that mobilized the EHS and Human Resources Departments:

- First, the Group carefully tracked the pandemic's spread worldwide. General instructions were issued based on the pandemic risk scale published by the World Health Organization and on recommendations from local governments. As a result, travel was restricted to Ukraine and banned to Mexico during the height of the flu outbreak.
- Business continuity and staff protection plans were put in place at the Group level and cascaded down in each of the Sectors.
- A dedicated page was opened on the EHS intranet to facilitate tracking of the pandemic, post Group recommendations and deploy continuity plans and preventive measures.
- The Sectors integrated the risk of a pandemic into their operational crisis management plans. The Construction Products Sector, for example, provided all its sites with a manual to help them prepare effectively for the foreseeable consequences of a pandemic. This manual was designed to go with the optional system for evaluating continuity plans distributed in 2008.

Environmental issues

Saint-Gobain is committed to continuous improvement when it comes to its operations' efforts to protect the environment. These operations include both manufacturing and distribution, with Building Materials Distribution accounting for 45% of the Group's sales. Environmental impact needs to be taken into account in quarries, production facilities, distribution outlets and shipping. Technological risk from the manufacturing processes is relatively low (units covered by specific regulations are identified in the section on industrial and environmental risks in the chapter on risk factors). This is also the case for distribution operations.

Saint-Gobain is working to reduce its environmental footprint and has defined environmental indicators and general measures at the Group level to support continuous improvement.

More specific measures have been implemented in the Sectors and Divisions to meet their operations' particular needs.

In 2009, Saint-Gobain pursued its policy of obtaining environmental certification for its units. Certification is a good way to include environmental issues such as water and waste management, energy consumption and atmospheric emissions in a unit's overall management. It also requires a commitment to continuous improvement and to preventing pollution.

That said, the results of certain environmental indicators are not representative of the Group's efforts in this area. This is the case, in particular, for indicators with specific values, like emissions per ton of finished product, because at equivalent performance, a sharp decrease in business levels has a negative impact on this type of indicator (see Reporting Methodology, page 77).

We also assess the environmental impact of our products. We have defined a life cycle analysis methodology for building products (see page 30) and also carry out life cycle analyses for Packaging Sector products.

A winning eco-design approach

Eco-design is a major part of the Packaging Sector's sustainable development policy. Around the world, Sector companies market esthetically pleasing eco-designed bottles and jars that showcase their contents while preserving the environment. This allows food and beverage brands to offer attractive products that consumers feel good about buying, while guaranteeing a smaller environmental impact across the life cycle, from raw materials to use and on through to selective sorting and recycling. Perceived quality criteria are maintained, adapted or re-invented thanks to active collaboration between marketing and technical teams in R&D, production, engineering and design.

In 2009, eco-designed ranges were successfully launched, primarily under the ECOVA name (a French acronym for "ecology and recovery"), in France, Spain, Argentina, Chile, Brazil and the United States. The ranges mainly target the wine and sparkling wine markets. Local marketing and sales teams adapt the ranges in each country to the regional market's needs.

Like all Packaging Sector products, the eco-designed ranges offer the environmental advantages of glass—a neutral, inert material that is fully recyclable, over and over again. They also benefit from improvements in the Sector's glass-making process, which include optimizing equipment energy performance, increasing the proportion of recycled glass in furnaces and reducing CO_2 emissions from the extraction of raw materials, production and shipping.

The Packaging Sector is the first glass packaging manufacturer in the world to offer eco-designed packaging that creates value for customers while enhancing consumers' well-being.

Climate change and energy consumption

Saint-Gobain is fully aware of its responsibility in helping to attenuate climate change and reduce energy consumption. Through our products and actions, we are rising to the challenges of tomorrow in the areas of energy and habitat (see page 30). We are also working to reduce our own energy consumption by making our buildings, facilities and outlets more energy efficient. Since 2003, we have participated in the Carbon Disclosure Project (CDP), an international initiative designed to encourage the development of a shared methodology for measuring greenhouse gas emissions. In 2009, Saint-Gobain was included in the French Carbon Disclosure Leadership Index (CDLI), which recognizes the 20 top-scoring French companies in CDP's disclosure rating.

CO_2 emissions and energy consumption at our office buildings

Because energy-efficient buildings play an extremely important role in any strategy for reducing greenhouse gas emissions, we have pledged to achieve a fourfold reduction in overall energy consumption and greenhouse gas emissions at our office buildings by 2040 as part of the Company Actions for the Reduction of Energy by 4, or CARE4® project. To do this, each building's thermal performance must be made consistent with the most stringent national standards, such as PassivHaus and Effinergie. If no national standard exists, the building must meet the strictest possible target for energy content and the highest efficiency value for the local climate. The campaign extends to any heated or air-conditioned workplace owned by the Group, with the exception of production shops and warehouses. An action plan governing new construction and major renovations was launched in 2008. Energy consumption for all new offices, training centers and other buildings, apart from production shops, warehouses and depots, must now be less than 80 or 120 kWh/sq.m, depending on the country. In 2010, the Group will map the results of an energy analysis covering all of the Group's office buildings to plan actions for thermal compliance. Actions to upgrade the entire building stock will be taken starting in 2011.

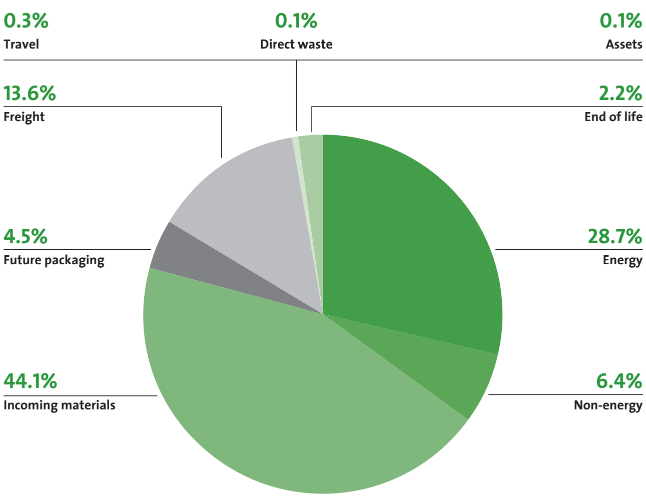
In a Group first, two buildings earned the CARE4® label in 2009—one at the R&D center in Northboro, Massachusetts (USA) and the second at the Saint-Gobain Isover facility in Chemillé, France.

Le Bilan Carbone™ carbon assessment

To gain a more thorough understanding of our greenhouse gas emissions, several Group companies—including Saint-Gobain Isover and Saint-Gobain Eurocoustic—carried out a carbon assessment in 2009.

Known in France as *Le Bilan Carbone™*[1], these assessments help companies identify where their CO_2 emissions are coming from so as to reduce them as much as possible. The assessments performed by CITEPA for Saint-Gobain Isover and Saint-Gobain Eurocoustic revealed the major areas of emissions were incoming materials, energy consumption, freight, and carbonate removal at concerned sites.

Breakdown of CO_2 emissions at an industrial site (Isover Orange, 2008)



A survey of all French industrial operations (excluding High-Performance Materials) was then conducted using the Bilan Carbone™ method. This survey confirmed the initial assessment's results and targeted the same four areas for priority action in reducing greenhouse gas emissions. These four areas account for more than 90% of emissions, even though the ranking differed from unit to unit.

At present, the Bilan Carbone™ carbon assessment is not appropriate for the Group worldwide. Saint-Gobain is monitoring improvements in assessment resources and international standards with a view to conducting a Groupwide assessment in the near future.
It is difficult to apply the Bilan Carbone™ to distribution operations as well, because we would need to know the CO_2 content of all distributed products to conduct a full assessment. This data is not necessarily available, since the Building Distribution Sector handles products from manufacturers other than Saint-Gobain.

Transportation (shipping and customer travel) is the main area of emissions in our distribution operations. For this reason, the Sector has decided to test a reporting method for transportation emissions, with initial deployment at Lapeyre and other businesses.

Saint-Gobain plays a major role in reducing energy consumption in North America

Saint-Gobain named Energy Star partner of the year

In the United States, the Environmental Protection Agency (EPA) recognized Saint-Gobain as a 2009 Energy Star Partner of the Year for its energy management and reduction of greenhouse gasses. In 2008, the Group considerably reduced its energy consumption in North America and its CO_2 emissions by 70,000 metric tons.

Through awareness campaigns, improvements in key processes and the deployment of best energy management practices, Saint-Gobain companies in North America saved enough energy to manufacture nearly 700 million glass bottles or insulate more than 160,000 homes with glass wool. The 2009 Energy Star Partner awards recognized Saint-Gobain's efforts to use energy efficiently in its plants and to make improved energy management part of its overall organizational strategy. The award winners were selected from among more than 12,000 participants in the EPA's Energy Star program. Saint-Gobain has partnered with Energy Star since 2005.

Saint-Gobain joins the Save Energy Now® LEADER program in the United States

Saint-Gobain recently joined the Save Energy Now® LEADER program launched by the US Department of Energy (DOE), signing a voluntary pledge to reduce its industrial energy intensity by 25% over the next decade. The LEADER program is a new component of the existing and successful Save Energy Now initiative, which provides participating businesses with access to tools and training to reduce their energy consumption and operating costs. Along with other LEADER companies, Saint-Gobain will serve as a role model and pace setter for others in the industrial sector. In return, LEADER companies receive access to select DOE resources, as well as national recognition for energy management achievements.

(1) Le Bilan Carbone™ is a method for measuring an organization's greenhouse gas emissions developed by the French Agency for Environment and Energy Management (ADEME).

Direct CO_2 emissions [1]

Reducing carbon dioxide (CO_2) emissions, primarily generated by glass furnaces, is a priority focus of Saint-Gobain's environmental policy. In 2009, the Group's concerned sites generated 13.5 million metric tons of CO_2, down 4.2% from 14.1 million metric tons in 2007 based on comparable output and scope of consolidation. The target is to cut emissions by 6% by end-2010 based on 2007 output. Emissions from all Group sites totaled 12.9 million metric tons in 2009.
Our CO_2 emissions represent less than 0.3% of the greenhouse gas emission allowances allocated in Europe, i.e., 5.6 million metric tons of CO_2 generated in the European Union countries participating in the emissions trading system[2] (excluding Maxit). Including Maxit, the total comes to 5.7 million metric tons. For the period 2008-2012, **the EU greenhouse gas emission allowance trading scheme** applies to a total of 86 Group facilities, including 20 glassworks, 22 Insulation Division sites, one Pipe Division site, 10 Gypsum Division sites, five Industrial Mortars Division sites that manufacture expanded silicates, two Textile Solutions sites, 25 Packaging Division sites and one combined heat and power plant.

Each Division does everything in its power to reduce CO_2 emissions attributable to its operations. At the glassworks, for example, each metric ton of cullet used in the melting process avoids 255 to 300 kg of CO_2 emissions (see above).

In the Pipe Division, environmental impact studies are conducted for all product upgrades and life cycle analyses are being performed for each product family. The Division is also closely monitoring the Ultra-Low CO_2 Steelmaking (ULCOS) project, a European Union initiative to identify and develop innovative methods for reducing CO_2 emissions in the steelmaking industry. ULCOS' ultimate goal is to halve CO_2 emissions generated by the current primary melting process.

Lastly, Saint-Gobain Glass' facility in Sriperumbudur, India, is recovering waste heat to generate electricity. Since February 2009, the float glass plant has generated around 500,000 kWh per month, with a target of more than six million kWh for 2010 as a whole. This project, which has reduced atmospheric CO_2 emissions by around 7,500 metric tons a year, is up for Clean Development Mechanism (CDM) certification. Introduced as part of the Kyoto Protocol, the Clean Development Mechanism allows countries with an emission-reduction or emission-limitation commitment to implement an emission-reduction project in a developing country and earn credits towards meeting Kyoto targets.

(1) The amounts given here do not include indirect emissions for road transportation, commuting, business travel, electricity consumption, the purchase of steam from outside providers, etc. They cover CO_2 generated by the combustion of fossil fuels and CO_2 generated by chemical reactions in our processes.
(2) Calculated values.
(3) For competitive reasons, Saint-Gobain does not wish to disclose detailed data on energy consumption at its different member companies.

2008-2010 objective

Saint-Gobain has set a target of reducing its CO_2 emissions at concerned sites by 6% by end-2010, based on 2007 output. In 2009, the Group had already reduced its emissions by 4.2%.

Energy consumption in our processes

In 2009, energy use by our concerned sites stood at 53.5 TWh[3]. Every Group company recognizes the importance of reducing its energy use.

Glass production is powered primarily by fuel oil and natural gas. Energy consumption is being steadily reduced by replacing outdated equipment at the end of its life with newer, more energy-efficient equipment, and by enhancing combustion methods and refractory performance. The use of cullet (glass that has already been processed) also helps to save energy. For each 10% of cullet added to a glass batch, 2.5% to 3% of melting energy is saved. Around half of the furnaces used by the Insulation Division are fully electric and we also frequently use electricity in addition to fossil fuels to aid in the melting process, accelerate convection currents in the glass bath and ensure uniform treatment in the furnace. Elsewhere, electricity is used primarily to supply compressed air, heat the lehrs and power the cooling fans used in furnace shells and forming machinery. Centralized management, speed drive technology and advances in equipment design have all been instrumental in reducing energy consumption beyond the melting process.

The Pipe Division uses coke and coal to fire the blast furnaces and cupola furnaces, as well as electricity and natural gas. The Division is focusing on improving energy efficiency at its plants, developing techniques for injecting oxygen and carbon-bearing matter into the melting process and relying more heavily on secondary melting when the raw materials are available. On acquiring the Xuzhou facility in China, we opted to launch an extensive project to modernize the site and improve its performance, drawing on existing best practices. Thanks to substantial outlays, CO_2 emissions from the renovated blast furnaces now compare to European levels. At our site in Barra Mansa, Brazil, iron ore is smelted primarily using eucalyptus charcoal (biomass) (711 GWh).

The Innovative Materials Sector—Flat Glass Division has also demonstrated a serious commitment to reducing its energy consumption and developing innovative energy-saving solutions, such as those adopted by Saint-Gobain Sekurit.In May 2008, Saint-Gobain Sekurit launched the international Energy Saving project to improve energy efficiency in all its plants by at least 10% in three years. The first step in this four-step project involved implementing an energy management system in all plants. An international database of best practices was developed to share ideas from Sekurit plants concerning the configuration of standby status, heat recycling and frequency variation for fans. Promising solutions such as more efficient injection nozzles for the tempering process and lighter weight, less insulated equipment for furnaces on laminated glass lines are tracked and included in R&D action plans.

Saint-Gobain Sekurit Germany was the first European manufacturer to be certified to the DIN 16001:2009 standard—Energy Management Systems. The certification covers six plants, as well as Sekurit's headquarters in Germany. The standard's objective is to set up a management system for tracking energy and for continuously optimizing energy efficiency. This certification further enhances the effectiveness of existing programs to reduce energy consumption and share best practices launched by Saint-Gobain Sekurit as part of the international Energy Saving program.

CO_2 emissions from transportation

Our businesses give rise to transportation-related CO_2 emissions at the various stages of the product manufacturing and distribution process. Transferring raw materials to the factory, transporting certain products to a second site for additional processing and delivering finished products to the distribution outlet all generate emissions.

The issue is of particular concern for the Building Distribution Sector, which has set up a reporting system to track these emissions. The system has enabled the Sector to streamline the delivery process by changing supply sites, modifying delivery routes and improving inventories.

This strategy of seeking out alternatives to road transport offers clear benefits in the case of the Building Distribution Sector, but is being adopted in other Sectors as well. For example, some 40% of Saint-Gobain PAM products are transported to their destination entirely via sea, river and/or rail links.

To reduce truck fleet fuel consumption, Point.P and Saint-Gobain Building Distribution in Germany have launched an extensive Responsible Driving program to educate their drivers on better driving practices that will save fuel and cut down on CO_2 emissions. This customized training has improved fuel consumption by as much as 15%. Several other initiatives are also being undertaken by Point.P. In a move that can reduce fuel consumption by 3%, truck speed was capped at 80 kph in the greater Paris area and Bordeaux in 2008 and at Asturienne and other units in northern France in 2009. In addition, onboard computer systems that display and monitor each driver's actual use of fuel have been installed in vehicles, helping to reduce consumption by up to 7%.

The Building Distribution Sector is taking steps to optimize its truck fleets as part of its Responsible Procurement initiative, for which reducing CO_2 emissions is of key importance. Depending on the results, these measures are likely to be extended to the entire Sector and to other Group facilities.

In addition, Saint-Gobain's purchasing department uses CO_2 emissions as a criterion in several European countries when selecting vehicles for long-term lease. It is also a member of the Transport taskforce at Entreprises pour l'Environnement, a non-profit organization of which the Group is a member.

Lastly, Saint-Gobain Isover has developed a patented process to compress glass wool. Thanks to their elasticity, glass wool products can be compressed up to ten times when packaged into rolls and palletized. This offers multiple opportunities for energy savings during shipping, for reducing transportation-related greenhouse gas emissions and for cutting down on the number of trips between production sites and distributor warehouses. It also makes handling easier on worksites and reduces packaging waste.

Reducing the environmental footprint of our processes

Minimizing waste and reducing consumption of primary raw materials

Our waste management priorities, outlined in the EHS charter, are as follows, in order of importance:

- Reduce the amount of by-products.
- Reuse by-products internally.
- When by-products cannot be reused internally, promote external recovery processes such as recycling or energy recovery through incineration.
- As a last resort, landfill final waste.

As these objectives show, waste reduction is a priority for the Group. In 2009, concerned sites generated 3.7 million metric tons of production waste, compared with 3.6 million in 2007 based on comparable output and scope of consolidation.

The Sectors adapt this waste reduction policy to their own operations. For example, in 2005 and 2006, the Lapeyre and Point.P banners in the Building Distribution Sector jointly developed a waste reporting system derived from the Group's EHS reporting system, but adapted to the specific profile of distribution operations. This specific resource, which is currently being deployed, was expanded in 2008 and 2009 to include information on water and energy consumption. Point.P has also developed a fee-based waste disposal system, governed by strict specifications, for use by its customers, who are invited to drop off their waste materials upon completion of a project and reload their vehicles with new materials. This service has the added benefit of generating a competitive advantage for the Group. There are currently around 100 waste disposal points in service, and given its success, the program is likely to be extended to other banners in the Sector. PUM Plastiques, for instance, has started to open waste disposal points at its outlets.

In Norway, Brødrene Dahl chose waste management firm Retura to process its waste nationwide in early 2008. Some 80% of the waste from the banner and its customers is sorted and recycled. The remaining waste is incinerated and recycled into a new, environmentally friendly energy source.

The real challenge of waste reduction lies in recovery—in other words, recycling. Some of this recycling is performed within the Group at specialized companies like Valoref. Valoref recycles refractory materials left over after full or partial furnace overhauls, produces secondary materials from the recoverable waste and then develops and sells finished products.

The more we use recycled materials, the less we consume primary raw materials. In addition to recovering our own waste products, we use recycled materials from outside sources, such as cullet and recovered scrap metal, to optimize our raw material consumption.

Three materials that are critical to our operations—glass, cast iron and gypsum—are infinitely recyclable.

Glass

The primary method for reducing resource consumption in glass furnaces is to include cullet (crushed recycled glass) among the raw materials. By making new glass from recycled glass, the Group saves on both primary raw materials and energy (because the waste glass has already been prepared, the energy that would normally be used for its chemical processing is no longer needed). Saint-Gobain has five facilities that produce cullet from waste glass. Located in France, Germany and Italy, these facilities mainly supply the Packaging Sector's furnaces. The Group also purchases cullet from external sources. There are two main constraints on glass recycling. The first is that it is difficult to recover clean, uncontaminated glass—an especially important consideration for flat glass manufacturing. The second is that collected household waste glass has leveled off in some countries for a variety of reasons, including declining alcoholic beverage consumption and changes in waste collection practices. The proportion of nonrecycled glass used within the Group fell between 2008 and 2009 based on a comparable scope of consolidation. In 2009, glass furnaces at concerned sites used 10.9 million metric tons of primary raw material, compared with 13.1 million metric tons in 2008, 4.2 million metric tons of externally-sourced cullet, versus 4.4 million in 2008, and 2.9 million metric tons of internally generated cullet, compared with 2.8 million in 2008.

Both the Insulation Division and the Packaging Sector use significant volumes of recycled glass materials in their furnaces. Use of cullet from internal and external sources has increased: in 2009, it accounted for 24.3% and 42.4%, respectively, of glass wool production at the concerned sites in the Insulation Division (compared with 18.9% and 40.9% in 2008 based on a comparable scope of consolidation), and 16.8% and 43.5%, respectively, of container glass production at the concerned sites in the Packaging Division (versus 17% and 40% in 2008 based on a comparable scope of consolidation). The Packaging Sector recycles 100% of the glass it collects worldwide. The Sector is committed to intensifying its collection efforts to ensure a steady increase in the percentage of recycled glass used in its furnaces.

Although its quality requirements for cullet are stricter than those of the Packaging Sector or Insulation Division, the Innovative Materials Sector—Flat Glass Division pursues an assertive policy of recovering cullet generated at its own or customers' sites. Internal and external cullet accounted for 31.8% and 7.3%, respectively, of flat glass production at the concerned sites in the Innovative Materials Sector—Flat Glass, (compared with 23.5% and 11.5% in 2008 based on a comparable scope of consolidation).

The Innovative Materials Sector's Textile Solutions business is also involved in glass recycling. Two Saint-Gobain Vertex plants in Hodonice and Litomysl, Czech Republic, have recycled their fiberglass since 1999 and 2003, respectively. Their recycling lines can transform nearly 10,000 metric tons of recovered product per year to replace a significant quantity of raw materials. Thanks to this process, Vertex has reduced its glass waste by 80%. It has also lowered its raw material consumption and considerably reduced its energy use.

Cast iron

The Pipe Division uses two melting processes to produce cast iron: primary melting, which produces cast iron from iron ore in blast furnaces, and secondary melting, in which cast iron is manufactured from scrap metal and recovered cast iron. The process used depends on numerous factors, including the host country's primary and secondary raw materials markets. Secondary melting demands a substantial regional scrap metal market, which exists in industrialized nations but not in developing countries such as China. In 2009 the use of primary melting increased, representing 75.8% of production at concerned sites (compared with 71.9% in 2008 based on a comparable scope), while 37% of finished cast iron was produced from recycled materials at concerned sites (versus 47.8% in 2008 based on a comparable scope).

Reducing product weight has been a major focus of our R&D efforts for several years now for a number of reasons. To start, lighter products require smaller quantities of natural resources and less energy during the manufacturing process, as there is less raw material to be smelted. In addition, transportation of raw materials and finished products generates fewer CO_2 emissions. The cast iron used in the 2005 Natural® pipe range weighs 25% less per linear meter than that of the 1990 K9 pipe range, thanks to ongoing enhancements to the centrifuging process and coating and fitting techniques.

Gypsum

The conversion of gypsum into plaster is an age-old process. Plaster is very environmentally friendly because it requires very little energy to be produced and can be recycled indefinitely. As with cullet, the only limitation on recycling plaster is the problem of waste sorting. In 2009, at the concerned sites within the Construction Products Sector's Gypsum Division, 24.3% of finished gypsum was produced from recycled materials, compared with 25.5% in 2008. Waste recycling facilities have been established in several countries. In Austria, the Ri-cycling program helps to protect the environment while also reducing costs. Buyers of Rigips-brand plasterboard are given Ri-cycling bags for collecting site waste, which is then reintroduced into the production cycle.

This type of system can vary in scope, depending on the country and local demand. In the United Kingdom, for example, a comprehensive service is provided that includes onsite collection, mechanical sorting to separate paper from other waste components, and gypsum reuse. The service is being coordinated by a dedicated team at British Gypsum. In France, Placoplatre has set up a dedicated collection network for plaster waste comprising recycling units at its three production sites in Chambéry, Cognac and Vaujours and more than 30 partner organizations that collect plaster waste. The service saved over 1,000 metric tons of natural resources per month in 2009 (2,000 metric tons projected in 2010) and eliminated the need to bury an equivalent volume of waste at specialized landfills. Gyproc has set up a similar program in Belgium at its Kallo site called "Gyproc ∞ Recyclage". The program was among the five winners in the "Cradle to Cradle" competition organized by the Flemish Ministry of Social Economy.Lastly, the Gyproc plant in Kalundborg, Denmark, is a historic partner of the Industrial Symbiosis. Created in the 1970s, this is one of the best known and most ambitious initiatives in the field of industrial ecology. The Gyproc plant uses a gypsum by-product from the local power plant's flue gas desulfurization unit (also known as FGD gypsum), as well as plasterboard recovered by the local waste processing plant. In all, the plant recycles the equivalent of 15 million square meters of plaster a year.

Numerous initiatives are also underway to recycle other waste products. For example, the Innovative Materials Sector—Flat Glass has launched a campaign to expand its stack gas pollutant recycling program. In Europe, all waste products generated by stack gas processing are recycled directly into the glass furnaces themselves wherever they are fitted with electrostatic precipitators, with the result that no additional waste is generated. In 2009, 58.2% of waste tonnage produced was recycled in Saint-Gobain glass furnaces, compared with 60.9% in 2008.

2008-2010 objective

Saint-Gobain has set a target of reducing landfill waste at concerned sites by 6% by end-2010, based on 2007 production output.

Atmospheric emissions

- **NO_x and SO_2**

Some of our facilities—mainly glassworks and Pipe Division plants—emit sulfur dioxide (SO_2) and nitrogen oxides (NO_x), which contribute to acid rain. These two forms of emissions are regulated, notably by the European Union's Integrated Pollution Prevention and Control (IPPC) directive aimed at reducing pollution generated by industrial plants.

Our different Sectors have been working to cut their sulfur dioxide emissions for several years now by using higher-quality fuel oil or coal slack, reducing their energy consumption and introducing desulfurization processes. Investments in pollution control equipment for the Innovative Materials Sector—Flat Glass Division (see below) are part of this effort. In 2009, glass furnaces at Saint-Gobain's concerned sites discharged 2.42 kg of SO_2 per metric ton of finished glass produced, while concerned sites in the Pipe Division discharged 1.4 kg of SO_2 for each metric ton of cast iron produced, representing a total of 33,954 metric tons of SO_2.

Saint-Gobain companies seek to reduce their nitrogen oxide emissions by emphasizing primary measures to prevent or limit NO_x production at source. Oxygen furnaces offer an attractive alternative because they produce substantially less NO_x by eliminating the nitrogen contained in the combustion air. However, cost considerations make it difficult to adopt this technology in the Innovative Materials Sector—Flat Glass and Packaging Sectors. The Flat Glass Division is continuing to work on developing primary methods for reducing NO_x emissions. A pilot furnace installed at its Calarasi site in Romania offers greater gas combustion efficiency, with the result that NO_x concentration in the stack gas is less than 800 mg/Nm3. In 2009, glass furnaces at concerned sites discharged 2.32 kg of NO_x per metric ton of finished glass produced, while Pipe Division concerned sites discharged 1.32 kg of NO_x for each metric ton of cast iron produced, representing a total of 32,436 metric tons of NO_x.

Dust

We take vigorous steps to control dust emissions, as required by the IPPC directive. We have invested extensively in electrostatic precipitators and bag filters, depending on the type of furnace. In addition, particulates from the filtration process are increasingly being recycled at each site or recovered through appropriate channels (see below).

All of the Packaging Sector's European plants have now been equipped with electrostatic precipitators, leading to a very significant decrease in the amount of dust emitted by glass furnaces. Over time, electrostatic precipitators will be installed at all of the Sector's facilities worldwide, notably in the United States starting in 2010. In 2009, glass furnaces and glass production lines at concerned sites discharged an average of 0.27 kg of particulates per metric ton of glass produced.

The Pipe Division distinguishes between ducted dust and diffuse dust. For many years, Saint-Gobain plants have been capturing and treating the large volume of ducted dust they generate, drawing on advances in available technology to make ongoing improvements to their filtration systems. In 2009, the Pipe Division's concerned sites generated 1.07 kg of ducted dust per metric ton of finished cast iron produced following treatment. Diffuse dust emissions are less substantial but difficult to capture and treat. Diffuse dust is found only in metal melting areas and consists primarily of mineral substances. There is no standard methodology for quantifying diffuse dust emissions. Nonetheless, the Pipe Division began taking action in 2004 to improve the recovery and treatment of diffuse dust.

The Innovative Materials Sector—Flat Glass Division is taking measures to manage atmospheric emissions from its furnaces and is pursuing its investments in electrostatic precipitators. In 2009, electrostatic precipitators were brought on stream at plants in Calarasi, Romania and Dabrowa, Poland.

The Sector also gained experience after the first full year of operation of new treatment equipment at Saint-Gobain Glass's site in Arboç, Spain. Not only can this equipment capture dust and reduce SO_2 emissions, but it can also control NO_X emissions.

Other regulated substances

Volatile Organic Compounds (VOCs) derive from the organic matter used for various applications, including fiber bonding, binders for glass wool and abrasives, silicon carbide (especially polycyclic aromatic hydrocarbons), asphalt roofing shingles, solvent-based coatings for cast iron pipes and wood finishing and preservation products at Lapeyre. Because the release of VOCs into the atmosphere can pose a chemical risk to employees, chemical risk assessments are planned on a broad scale so that we can gain a better understanding of these emissions and take corrective action to reduce them. The Pipe Division has fine-tuned its applications for solvent-free coatings, such as epoxy powder for pipe fittings, cataphoresis for pipe connectors and, for municipal castings, autophoretic coating, a process developed in 2004 and adopted for use in 2007. Where there is no alternative to solvent-based paints, as is the case for pipes in particular, special equipment is used to capture and treat VOCs via oxidation on the production line.

Other regulated substances generated by Saint-Gobain sites—primarily in the Packaging Sector and Pipe Division—are closely monitored. They include heavy metals resulting from impurities in raw materials, cullet and other furnace input. Based on levels of dust fallout in the vicinity of Group plants as measured by devices installed at several sites in France, our analyses indicate that these substances have a negligible environmental impact. Pollution control equipment, such as the electrostatic precipitators described above, has proven effective in reducing emissions of heavy metals.

Managing natural resources and preserving biodiversity

Saint-Gobain understands that biodiversity is important to humankind and needs to be preserved. We look for ways to limit our impact on ecosystems and to manage the natural resources we use in a sustainable manner.

Although our processes do not, in general, pose a particular threat to local flora and fauna, impact studies are performed in most countries prior to the siting of a new industrial facility.

Soil

Each time a site is acquired or sold, regulatory compliance tests are conducted and the quality of groundwater is assessed. If any contamination is detected, appropriate measures are taken, such as pollution abatement, containment or monitoring.

In managing contaminated sites and soil, the Innovative Materials Sector ensures that precautionary measures and monitoring systems are implemented so that soil at sites in operation is not affected. It also manages rehabilitation of brownfield sites. For example, around 35 acres occupied until 1962 by Saint-Gobain Glass in Aniche, northern France, are currently being redeveloped. Extensive studies of the soil and groundwater have made it possible to identify the sources of potential contamination, control them with geomembrane liners and other techniques and monitor them with piezometers. The redevelopment work, which is scheduled for completion in the spring of 2010, has involved clearing and leveling the land and removing trees, adding layers of soil with a specific level of permeability or membranes, and landscaping around a rainfed lake.

Quarries

The Group operates 161 underground and open-cast quarries worldwide. The vast majority belong to the Gypsum Division.

The quarries are operated in an environmentally friendly manner in compliance with local and national regulations. During extraction and restoration, the effects on local communities and the environment are reduced as much as possible. These include the visual impact of the operations, dust, noise and vibration, added road traffic and any hydrogeological or hydrographic repercussions.

Restoration is planned and gradually implemented during extraction. Areas where extraction is complete are systematically replanted and maintained. This is the case, for example, in two regions near Natura 2000 sites: Sorbas, Spain, where the local flora has been reestablished on 79 acres, and Monte Tondo, Italy, where tunnels have been restored so that tourists can visit archeological sites and scientists can protect and study local bat colonies. In the same vein, the Gypsum Division in France has planted more than 170,000 trees at two quarries that were in operation in recent years: Cormeilles (128 acres) and Le Pin-Villeparisis (106 acres). Varying the type of trees and shrubs planted at different sites helps promote the development of ecosystems.

When extraction is complete, each site is restored appropriately. With open-cast quarries, the Group's aim is to return the land as nearly as possible to its original contours. When this is not possible, the land is sculpted harmoniously to create the right kind of habitats for final use and to blend in with the surrounding environment. Each recovery project respects the local climate and encourages biodiversity with local species. Since the early 1990s, the Gypsum Division in France has redeveloped more than 495 acres of open-cast quarries in the greater Paris region and planted over 190,000 trees.

Indicators developed in 2007 by a working group have provided us with a profile of each mine and quarry site in terms of area, number of Saint-Gobain employees, production in metric tons of usable material extracted, type of site (active, dormant or closed), quantity of minerals sold or transferred internally, number of trees cut and planted and land area restored. As part of its ongoing efforts to address the environmental impact of its extraction sites, the Gypsum Division, which operates the largest number of quarries, is piloting the implementation of a biodiversity policy.

Highlighting cultural heritage inside preserved ecosystems

Saint-Gobain PPC Italia operates Tana del Re Tiberio, a natural gypsum cave with bronze-age finds and bat habitats located near a Natura 2000 site. The karst system is 4,500 meters long and the last 60 meters of the caves are well-known for their archeological features.

After being closed to visitors for years because of safety concerns, the site was recently secured thanks to work to consolidate the cave floor. A monitoring system has also been set up so that archeological excavations can be carried out and visitors can tour the cave without risk.

The local municipality has been given free access rights to the last 60 meters of the cave for 99 years to install a museum and carry out additional archeological work with public and private funds. In this way, it will be able to manage tourist flows more effectively and promote this extremely interesting site.

The caves' tunnels are also home to bat colonies. When the quarry was extended, the entrance to an old tunnel was partially sealed and bat boards were installed in the surrounding forest. Habitat and underground climate assessments have been conducted and the bat populations have been regularly monitored. Six bat species now use the old mine tunnels as an alternative karst environment. Bat populations have both recovered and increased.

Wood supplies

Preserving natural wood resources is a major challenge for the Building Distribution Sector, which manufactures or sells a number of wood products such as flooring, timber frames, shutters and windows. Five banners are particularly concerned by this issue: Point.P, Lapeyre, Saint-Gobain Building Distribution UK & Ireland, Saint-Gobain Building Distribution Deutschland and Saint-Gobain Distribution Nordic. Together they account for more than 90% of the Building Distribution Sector's wood purchases.

A Sector-wide environmental policy on wood was introduced in September 2007 to define purchasing and selling criteria for wood and wood-based products. By setting common guidelines, the policy will help the Sector source more environmentally respectful products, deepen the sales force's involvement and inform customers more effectively.

Upstream, the policy is designed to preserve woodland biodiversity and the surrounding environment for local communities with timber-based economies. Downstream, it aims to develop ever safer products, panels and flooring for users.

The policy is based on two main principles:

- Responsible procurement, which includes three major components: (i) protecting endangered species by adapting the sales plan to reflect each species' degree of vulnerability, (ii) ensuring that all the wood procured by the Group is legally sourced by using effective tracability systems, and (iii) promoting sustainable forest management by increasing the proportion of wood that is certified by the Forest Stewardship Council (FSC) and the Program for the Endorsement of Forest Certification schemes (PEFC), with a focus on local sources.
- Responsible sales, which means involving the sales force and informing customers about the products offered.

Our objective for 2010 is to source 80% of incoming wood from certified forests in 2010 through an approach of continuous improvement, with quantified, set commitments.

Point.P banner Dispano recognized for its active environmental approach

When it comes to responsible procurement and sales, Point.P naturally follows the Building Distribution Sector's environmental policy for rough lumber, flooring, plywood, woodwork and all other wood-based products.

Dispano, a Point.P banner in France with 50 branches specialized in wood, panels and woodwork does not sell certain endangered species, in compliance with the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). Seven other wood species have been removed from the sales plan either because they are on the International Union for Conservation of Nature's IUCN Red List or because they come from countries that do not comply with international conventions or good forestry practices. Customers are offered alternatives such as stained oak or walnut to replace wenge flooring. Similarly, Dispano substitutes plantation teak for forest grown teak from Myanmar.

In 2009, the French wood commerce association LCB awarded Dispano a maximum three leaves for its active environmental policy following an audit based on the LCB environmental charter. LCB ranks companies on the basis of strict criteria concerning responsible procurement and sales.

Jewson Timber Trading Academy

To truly inform and involve the sales forces in its responsible approach, the Building Distribution Sector needs to develop team members' skills, knowledge and understanding of the timber industry. Saint-Gobain Building Distribution UK & Ireland is doing just that with the Timber Trading Academy developed by main banner Jewson. Numerous Jewson employees have trained at the academy since it opened, gaining specialist knowledge about timber.

Water

In its processes, Saint-Gobain primarily uses water to cool installations that operate at high temperatures. Water is increasingly being recycled internally, which considerably reduces the demand for natural water resources.
In 2009, based on 2007 output, the Group's concerned sites withdrew 89.8 million cubic meters of water, down 2.2% from 91.7 million cubic meters in 2007. The target is to cut water withdrawals by 6% by end-2010, based on 2007 output. In all the Group's sites uses 81.3 million cubic meters of water in 2008.

All the Sectors have taken steps to optimize water use over the years.For example, the Pipe Division, which uses water to cool equipment, has introduced action plans to improve its water management and reduce withdrawals through recycling.
In 2009, the cast iron pipe plant in Santander, Spain became a zero-discharge facility thanks to an effective industrial water treatment and recycling program. Investments to improve existing physical-chemical installations made it possible to achieve this performance. All water is treated and recycled on site, reducing water consumption by a factor of four between 2007 and 2010.

Elsewhere, the Point.P group's ready-mix concrete and concrete products unit has adopted a policy for treating and recycling water used in the production process. Ultimately, each of its facilities will be equipped with settling tanks or recycling stations to ensure that recycled water can be returned to the manufacturing process or used to clean vehicles.

Reducing water consumption is also a priority in the Innovative Materials Sector's environmental policy. The Saint-Gobain Glass plant in Aniche, France, for example, has adapted its water cooling circuit to reduce consumption by installing an osmosis unit with a water softener. As a result, the water used to regulate process temperature is almost pure and can be fully recycled. The installation, which came on stream in early 2009 and is expected to pay for itself within about a year, has allowed the plant to save nearly 100,000 cubic meters of water a year (equivalent to 40% of total consumption).

In Worcester, Massachusetts (USA), the Saint-Gobain Abrasives and Saint-Gobain Ceramic Materials plants have reduced their annual well-water consumption by nearly 80% thanks to joint efforts over the past two years. Until recently the sites used well water in equipment and furnace cooling processes. Not only did this use a precious natural resource, but discharges of hot water on the surface could negatively affect certain species. Solutions included replacing water with air in the cooling system for two compressors and installing a heat exchanger. The site used 96,000 cubic meters of water in 2008 compared with 465,000 cubic meters the year before. Consumption is expected to decline to less than 76,000 cubic meters in 2010, a reduction of 85%-90% from 2007.
In the Packaging Sector, the Port Allegany, Pennsylvania (USA) plant installed a new cooling water recovery circuit that has reduced the amount of wastewater discharged from the plant to the municipal treatment center by more than 80% (or more than 330,000 cubic meters).

2008-2010 objective

Saint-Gobain has set a target of reducing water withdrawals at concerned sites by 6% by end-2010, based on 2007 output. In 2009, the Group had already reduced its withdrawals by 2.2% from 2007.

III. HUMAN RESOURCES

DEVELOPMENT COMMITMENTS

Human resources policies

Saint-Gobain's human resources policies are based on a longstanding tradition of respect for employees, social dialogue and internal promotion. These policies leverage our shared values, described in the Principles of Conduct and Action that all team members are expected to embrace. Senior Management also issues mandatory guidelines on hiring, training, skills development, career management, occupational health, safety and working conditions.

Saint-Gobain recognized for the quality of its Human Resources management

Saint-Gobain Weber Bulgaria (Construction Products) was selected Best Employer of 2009 by Hewitt Associates, an international HR consulting and outsourcing firm, following a survey of 91 Bulgarian companies.

In Brazil, Weber Quartzolit (Construction Products) ranked among the top 150 good places to work, with employees giving it an average grade of 81.2%. For the fourth year in a row, Telhanorte (Building Distribution) won top honors as the most admired company in the building materials distribution category in a survey conducted by *CartaCapital* magazine.

Preparing tomorrow's teams today

Refreshing the age pyramid and building new teams

In 2009, applicants under 26 accounted for 33% of new hires, all socioprofessional categories combined.
Well aware of the benefits of international experience and the acquisition of diversified skills, Saint-Gobain provides rising executives and other employees with opportunities for geographical and functional mobility whenever possible.

In most cases, hiring needs are still defined locally by the Delegations and companies, which devise the most appropriate hiring strategy for their markets. Depending on their needs, they build relationships with national and regional schools and universities, offer internships, sponsor classes and coordinate site tours to introduce Saint-Gobain to students (see section on educational support, pages 74-75).

Each year, the General Delegations take part in university recruitment forums in many countries, nurturing ties with leading business and engineering schools through programs to sponsor a class year or to provide mentoring for selected students.

An example is the Global Player Program introduced by the Central and Northern Europe Delegation to recruit high potential graduates and prepare them for an international career with the Group. The 18-month program includes three successive projects, one of which must be completed outside the participant's home country and Sector. The participants are evaluated at the end of each project and receive comprehensive training throughout the program.

Internships during a student's final year of study are a particularly effective way of introducing our businesses and corporate culture to potential applicants, who can then be inducted more effectively into the Group upon completing their studies. Each year in France, for example, more than 1,000 interns receive training in programs lasting six months or more. The internships are government-regulated and remunerated according to a uniform recommended pay scale.

In close cooperation with the French Agency for International Business Development (UBIFRANCE), Saint-Gobain offers assignments worldwide to French students as part of the country's Volunteer for International Experience (VIE) program. In all, 31 contracts were signed in 2009, bringing the total number of interns hosted since 2001 to almost 250. The United States, Germany, Brazil and the Netherlands were the top destinations for participants. On average, more than 30% of VIE participants are subsequently hired, principally in the fields of industrial processes, finance and research and development.

A core component of the Group's strategy, innovation is driven by an extensive research and development commitment. As a result, particular care is given to recruiting researchers. Despite a general slowdown in hiring in 2009, 43 research managers were hired in the Group's R&D centers around the world to support major strategic projects and contribute to organic growth.

Saint-Gobain has initiated long-term collaborative research projects with top-ranked university laboratories, with the ultimate goal of hiring researchers in strategic countries to help drive our local growth. Higher learning institutions meeting the Group's specifications are being identified and financing has been put in place for thesis work and postdoctoral internships.

Identifying talent

The Saint-Gobain Talents program is designed to identify managers throughout the Group who have significant growth potential or key competencies and demonstrate a high level of professional commitment. As a likely source of future senior managers and executives, this talent pool needs to be prepared for a career shaped by mobility. Operational supervisors are responsible for identifying SG Talents, with support from Human Resources managers at the appropriate level.

Sustaining the Group's long-term development

The transfer of expertise across countries and generations represents a critical challenge for Saint-Gobain, whose businesses rely on precise, complex skills and capabilities. This is an area where our principles of professional commitment and solidarity play a critical role.

In keeping with these values, the forward-looking management of jobs and skills agreement (GPEC) signed in 2008 by CEO Pierre-André de Chalendar and four French labor unions (CGT, CFDT, CGC and CFTC) was deployed in the Group's French companies in 2009. The agreement highlights the signatories' shared commitment to strengthening the role of collective bargaining, to defining a common base of Human Resources planning procedures applicable to all Saint-Gobain employees in France and to giving employees a voice in building their career paths.

The agreement also expresses the Group's commitment to retaining older workers and to expanding work-study opportunities.

Maintaining and passing on expertise is especially important in glassmaking, where the gradual transfer of acquired capabilities and skills poses a strategic challenge. A number of retired engineers, for example, continue to teach and instill their knowledge, notably at the Glass University, a forum for interaction and dialogue where skills can be handed on to a new generation of engineers.

Another initiative designed to facilitate the transfer of expertise is the Manufacturing Know-How Transfer & Training project (MKT2), which is designed for operators in the Flat Glass and Insulation businesses.

Strengthening mutual support among generations

Maintaining ties with previous generations of employees also strengthens team members' sense of belonging and helps them identify with Saint-Gobain's values. This is the goal of the retired employees' club.

The retired employees club celebrates its 70th anniversary

Founded in 1939 by Saint-Gobain employees who wanted to help colleagues taken prisoner during World War II, the retired employees' club is now an institution that reflects the key Group values of mutual support and respect.

The club celebrated its 70th anniversary on March 30, 2009. Honored guests included Jean-Louis Beffa, Chairman of the Board of Directors of Saint-Gobain; Roger Fauroux, Chairman and CEO of Saint-Gobain from 1981 to 1986; Pierre-André de Chalendar, CEO of Saint-Gobain; and Maurice Hamon, Vice President General Relations.

The club's purpose is to strengthen ties among retired former employees and keep them informed of the Group's progress. Aside from organizing cultural and recreational activities, the club keeps track of former employees so they do not become isolated. The club has 3,000 members across France.

Encouraging and facilitating job mobility

Employee mobility is a powerful tool for driving growth and consolidating our corporate culture, as people change positions among our different businesses and country organizations. The number of transfers has nearly doubled over the past decade across both Sectors and regions.

The Human Resources organization includes an international network of mobility managers who guide and supervise employees in planning their move.

Combined into an integrated information system, a wide variety of systems and resources help facilitate the exchange of information on employee aspirations and mobility opportunities. They include:

- The annual performance review, where HR managers can identify an employee's interest in changing jobs in the near to medium term. In 2009, 79% of managers and 48% of non-managers had a performance review. The review is conducted using a standardized form deployed throughout the Group since 2009.
- Employee reviews and succession planning, which are performed every year using a standardized form. These reviews are designed to anticipate possible changes in positions and people over the medium and long term in the various Sectors and Delegations, taking into account each employee's mobility aspirations.
- Easy transfers among Sectors and Delegations, supported by the circulation of a document describing available positions, current and future expatriate opportunities and other key mobility information.

In addition, employees looking to advance their careers have access to several internal sources of information, including a regularly updated intranet site with a list of job openings by country, skills cluster and type of employment contract and an International Mobility Guide that facilitates the process of relocating to a new country.

A common approach to international mobility

To ensure equal treatment and consistency, management of expatriate assignments has been revised and revamped at the global level in liaison with the Sectors and Delegations.

Management of expatriates from France has been centralized at Compagnie de Saint-Gobain. A skills center has been created to harmonize international mobility guidelines and to draw up and manage expatriation and seconding contracts, which were previously handled by the Sectors or Divisions. The same centralization process has been gradually implemented in the Delegations.

For each mobility assignment, the employee's home Sector indicates the type of position requested. The skills center interfaces with the host Delegation to determine the employee's local compensation and living situation. A letter of assignment is drawn up based on standard contracts for expatriation and seconding. During the term of the contract, the employee addresses all questions concerning mobility issues to the HR manager at his or her home Sector, or to the head of executive career management. This reorganization has harmonized the guidelines and contract terms for all employees on an international mobility assignment. It has simplified procedures and put expatriates on an equal footing, notably as concerns health coverage and protection against fluctuating exchange rates.

The updated International Mobility Guide issued in September 2009 has been revised to reflect these new guidelines.

At the end of 2009, 1,379 executives were working outside their home countries. Of these, 401 were expatriates, a significant decline from the year before. In its commitment to creating more international teams, the Group is focusing on promoting local managers, notably in emerging markets. Local team members represent 100% of the senior management team in India, for example, and 94% in Brazil.

Geographical and job mobility is not restricted to managers. Technicians are also offered opportunities to apply their experience abroad or as part of project teams in multicultural environments. In the Innovative Materials Sector—Flat Glass Division, for example, an average of 15 technicians and supervisors are posted to international assignments each year to help build or repair furnaces or to provide technical assistance at processing units.

Developing skills through training

The Group has an unwavering commitment to training, no matter how the economy is performing.

In 2009, all programs were carried out as planned. That said, less costly options, such as distance training, were favored.

Distance training reaches more people (69% of employees in 2009 versus 66% in 2008) and noticeably reduces the overall training costs (2% of payroll in 2009 worldwide compared with 2.5% in 2008).

Training policies are designed to support deployment of our strategic vision, notably by helping to develop employee capabilities in emerging markets and in building skills clusters.

They are driven by three priority objectives.

Making training more accessible to all employees

To train the greatest number of employees, instructional courses and on-the-job training programs have been pushed far down to the local level with the support of the Delegations and local managers.

Focus on apprentices

In January 2009, Saint-Gobain Building Distribution in Brazil introduced a two-year training program for apprentices comprising two modules—"Administration and Human Resources" and "Sales"—as well as an internship in a sales outlet. One hundred apprentices have participated in the program.

New front-line training centers have been opened at Weber in Norway and at Placoplatre in France (see below).

First training center in Norway

On March 4, 2009, Saint-Gobain Weber (Construction Products) opened its first training center in Norway next to the light aggregates plant in Lillstrøm, near Oslo. Nearly 150 people attended the inauguration, including leading customers and partners and executives from Saint-Gobain Weber and the Construction Products Sector. The center comprises a demonstration lab for practical training, specific displays for products and solutions and high-tech meeting rooms. This in-house training center will also serve as a Saint-Gobain Weber international training platform, notably for flooring products.

Distance learning offers the triple advantage of easy access, quick implementation and lower costs. In addition:

- Each employee can organize his or her schedule to limit the impact on operations.
- A large number of employees can be reached in a short period.
- No travel is required, resulting in lower costs and fewer CO_2 emissions.

Distance learning is particularly well-suited to the acquisition of basic knowledge about products, skills clusters, foreign languages, etc., as well as to one-off training on important topics. It is also useful for supporting cross-functional projects (EHS modules, annual performance review, managerial capabilities scorecard, etc.).

To develop this new type of training, the Training Department has set up e-learning relays in the General Delegations and large operating units. In 2009, 62 people received training in the design and deployment of on-line training modules.

In North America, a dedicated e-learning platform has been commissioned offering direct access to some one hundred online courses for all managers located in the Delegation's scope.

Saint-Gobain Abrasives University in Europe

The Abrasives University trains all Abrasives Division managers and non-managers in Europe. The University's 75 trainers in 26 countries offer courses in 11 languages, with a focus on products, sales and management (in liaison with the Saint-Gobain School of Management). Its goal is to make each individual an abrasives professional. In all, 4,630 employees have been trained at the University since it opened in October 2007.

In response to the 2009 recession, the University looked for innovative solutions to maintain training while gaining in efficiency. Courses on pricing and product lifecycle management were adapted and put online, as were several technical seminars. The University was included in the Group's intranet during the year, under "Form@net". It also published its first catalogue of courses in Europe in both hard copy and electronic versions.

In 2010, the University will build on work done in previous years, ramping up technical programs for the sales force. It will focus in particular on "Professional Selling Process", a program designed to win back market share in technical businesses.

The MKT2 Program

Distance learning is open to all employees, not just managers. It is widely used to deliver technical training, especially to sales representatives in the Building Distribution Sector and operators in the Innovative Materials—Flat Glass and Construction Products Sectors.

For example, the Manufacturing Know-how Transfer & Training program (MKT2) is helping to capitalize best practices in existing units and step up their transfer to new ones. After a successful launch in the Innovative Materials Sector—Flat Glass several years ago, MKT2 is now being deployed in the Insulation Division.

Nearly 130 modules were created in 2009, representing more than 130,000 hours of training.

Supporting implementation of the Group's strategy

Training plays an active role in the implementation of our strategy, with major initiatives supported by training programs conducted Groupwide or within the Sectors and Delegations.

The drive to improve operating efficiency, consolidate technological expertise, deploy World Class Manufacturing projects and enhance environmental, health and safety performance is prompting the development of training programs that are regularly revised and realigned with the changing needs and trends in our businesses.

Technical training, broadly defined, accounted for 51% of all training in 2009, while EHS courses accounted for 24%.

The World Class Manufacturing program

Unprecedented training was required to deploy the World Class Manufacturing (WCM) program, a core component of Saint-Gobain's policy to reduce costs, improve performance and increase customer satisfaction. The Training Department led the way at the corporate level, supported by the Sectors and Delegations, so that all operations could be covered. In all, 120 Champions, 200 Black Belts, more than 1,000 Green Belts and 70,000 employees have been trained. In 2009 alone, this represented 400,000 hours of training worldwide. Nearly 550 sites were able to introduce or expand WCM in the front lines.

Another goal of training is to expand our marketing capabilities. In addition to courses offered at the corporate level, the Delegations are gradually organizing specific programs dedicated to marketing or sales development in their geographic areas. Similar steps are being taken for purchasing.

At the same time, deployment of the "SMKT2" sales and marketing training program is continuing in China.

The Building Distribution Sector is also developing the skills it needs by training low- or unskilled employees directly in-house. Since 2004, Point.P has been offering front-line employees (storeroom attendants, drivers, sales people) and local managers (store managers, shift supervisors, etc.) in France programs that enable participants to earn a Vocational Qualification Certificate. By the end of 2009, more than 2,500 employees had successfully completed certification.

New training center in Chambéry

Making new and existing buildings more energy efficient is the best way to achieve the objectives set out at France's environmental summit. To meet this challenge, solutions must be implemented properly by committed professionals. Saint-Gobain, through its subsidiaries, has set an ambitious goal of training 5,000 building contractors and professionals each year.
On February 5, 2009, a new training center was inaugurated in Chambéry, France, extending the network of local centers in France, with locations in Guipry, Strasbourg, Vaujours and, soon, Chemillé. The Chambéry center is designed to train up to 1,000 participants a year. Its programs are targeted to building professionals and young job seekers in the Rhône-Alpes region and south-eastern France.

Located just a few meters from a Placoplatre® plant and built onto a renovated storage facility, the center is a perfect example of sustainable building and low energy consumption. A 450 square-meter roof-integrated photovoltaic array supplies a third of the center's needs. The array's total annual output of 27,000 kWh (representing the annual consumption of 12 households) is sold back to national electric utility EDF and fed into the grid as part of a 20-year contract. As a result, nine metric tons of CO_2 emissions are avoided each year.
The center offers business owners, contractors, wholesalers, specifiers and teachers a selection of courses in six areas: renovation, residential buildings, non-residential buildings, finishing work, regulations and technical solutions, and introduction to Placo® products and systems. The program combines classroom theory and hands-on training. A special program on making buildings more energy efficient is in the works.

Strengthening and instilling our corporate culture

Training courses and workshops also offer a prime opportunity for strengthening ties among the members of our corporate community and enhancing their sense of belonging.

The School of Management plays a critical role here, supporting managers at every step in their careers and serving as a unique forum for cross-fertilization among our cultures, businesses and functions. Its courses are designed both to provide training and develop managers' capabilities in fields targeted for expansion and to promote interaction and closer ties among managers from different Sectors, professional backgrounds and countries.

In 2009, the School of Management offered 24 sessions, attended by 660 managers. This was 3% less than in 2008, but much higher than in previous years.

The 2009 student body represented 45 different nationalities (versus 26 in 2001), confirming the Group's growing cultural diversity and the School of Management's support for diversity. In a sign of the Group's commitment to integrating local teams more effectively, employees from emerging markets accounted for around a third of the participants. A session entitled "New Managers" was launched in Southeast Asia in 2009 to bring training closer to local teams.

The FIND (Fast INDuction) new-hire orientation program launched in the Benelux countries in 2008 was extended to other countries during the year, with final deployment scheduled for 2010. Designed to ensure a smoother induction for new employees, FIND combines traditional training techniques with distance learning as a way of introducing participants to the Group, its values and its culture.

The Master's program, a key platform for instilling the Group's messages, methods and values, was entirely revamped during the year. A first introductory session using the new format began in November 2009.

Expanding diversity and equal opportunity

Respect for diversity and opposition to every form of discrimination are enshrined in the Group Principles of Conduct and Action, and specifically in the principles of respect for others and respect for the rights of employees. These principles shape our Human Resources practices at every step in an employee's career.

In addition to its general commitments to fostering diversity and providing opportunities for the disabled, the Group actively develops initiatives in each host country that are aligned with local practices and culture and that meet the specific needs of each business.

Fair hiring practices

At the Group level, every step in the hiring process, from advertising open positions to selecting curricula vitae and conducting interviews, is based on the most objective, professional criteria possible. Although specific practices may vary from one company or country to another, any form of discrimination is universally proscribed.

In France, community outreach initiatives have been organized in recent years, in association with Saint-Gobain Développement, to match young people seeking employment or vocational training with potential employers. One example is the "100 opportunities—100 jobs" program to provide job opportunities to young people with few skills from disadvantaged neighborhoods. Saint-Gobain has participated in the program since 2006. In 2009, Saint-Gobain helped launch the "100 opportunities—100 jobs" program in the Nice area (see box page 75). Another example is the "Our neighborhoods have talent" initiative to provide job opportunities for young graduates from low-income neighborhoods. Saint-Gobain signed on to the initiative in 2009 (see box page 75).

Fostering gender diversity

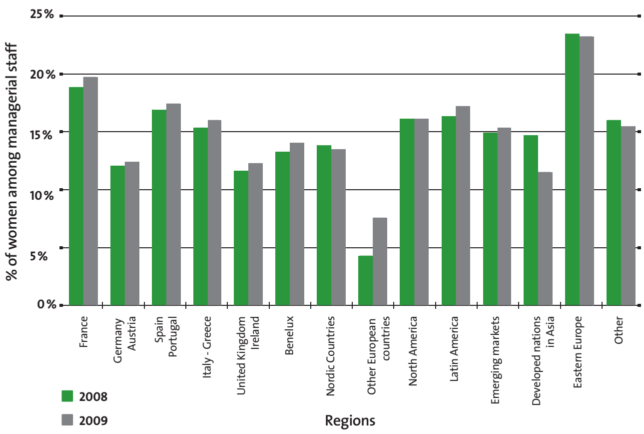
The percentage of women in the Group's workforce held stable in 2009, at 20.1%.

Of the 38,338 women working at Saint-Gobain as of end-2009, 10.7% were managers, 66.0% were administrative employees, technicians or supervisors and 23.3% were operators.

The Group is committed to achieving a better gender balance, particularly at the managerial level, with regard to both hiring and access to positions of responsibility.

Among managers working outside their home countries, 20.5% were women.

The percentage of women managers increased to 16.4% overall, with Eastern Europe and France reporting the highest scores at 23% and 19%, respectively. Operations in northern Europe had lower percentages (12%-14%), as did those in developed Asian nations (11%).



In all, 76.7% of the women at Saint-Gobain were employed in white collar positions, versus 75.3% in 2008.

Several measures have been introduced to help women rise up through the ranks.

- Special emphasis has been placed on increasing the number of women attending the School of Management. The percentage of women in the student body increased to 22% in 2009 from 19% in 2008. Women accounted for 14% of the participants in the International Management Seminar, 23% in the New Managers sessions, 22% in the Line Management courses and 26% in classes on the Group and its businesses.
- A section devoted to female gender issues is systematically included in employee reviews, which are especially important tools in managing careers and preparing succession plans.
- Periodic reports and an annual assessment are submitted to the Chief Executive Officer, describing progress in enhancing gender balance at each level of responsibility and within each business process.

In addition to corporate initiatives, local measures have also been introduced to make a targeted impact aligned with conditions in each business or country.

In the United States, for example, the Women's Network was created in 2003 by female managers in the North America Delegation. It meets on a regular basis to track and lead a number of programs, such as mentoring new employees, providing recruitment support and advice, and sharing information with networks in other countries.

In 2009, women accounted for 23.4% of new hires, up from 22.5% in 2008.

A Saint-Gobain Woman of Distinction

Shawn Puccio, Vice President of Finance, Saint-Gobain Corporation, was a recipient of the 2009 Women of Distinction award from the Philadelphia Business Journal. The award recognizes remarkable women who are making headlines in their professional field and in their community.

Supporting integration of the disabled

Disabled persons represented 4% of employees in France as of December 31, 2009, compared with 3.6% in 2008. This increase reflects efforts by local subsidiaries to facilitate inclusion of disabled employees in the workplace.

When employees become disabled, the Group is committed to retaining them whenever possible. In France, 155 workstations were adapted for disabled persons in 2009.

During the year, French action plans for mainstreaming the disabled continued to expand in a variety of areas, including hiring and retaining the disabled, outsourcing to sheltered workshops and companies employing people with special needs, and employee sensitivity training. At the same time, a disability task force comprising Human Resources managers from the various businesses meets regularly to allow members to share their practices and enhance action plans.

As in previous years, Saint-Gobain took part in several forums throughout France designed to give disabled students and young graduates a chance to meet with companies. The largest was the job fair organized in November as part of France's Disability Week by ADAPT, an association that promotes the integration of the disabled into society and the workplace. During one of the week's events, several Saint-Gobain teams played host to young visitors to let them experience an actual job or business activity first-hand for a day.

In addition, several Group companies are members of the Tremplin (Springboard) Association, which assists and coaches disabled students and graduates entering the job market and provides access to a network of employers in the greater Paris area. Several participants have already joined the Group as interns or new employees.

Group companies are also encouraged to use sheltered workshops, and several Sectors have set up outsourcing agreements with sheltered employment programs and companies with special-needs employees.

Signature of a charter to include disabled persons in the workforce

On November 13, 2009, Saint-Gobain joined 30 other CAC 40 companies in signing a charter presented by the French Secretariat of Family and Solidarity to include disabled persons in the workforce.

The signatories undertake to:

- Pursue their efforts to bring disabled persons in the workforce and to include issues facing the disabled in their corporate strategy.
- Help change collective perceptions of disabled persons in society and within the corporate world.
- Deploy resources to make buildings and training accessible to the disabled, from schoolchildren to students to employees.
- Share best practices for including disabled persons in businesses.

Hiring and retaining older employees

Applicants age 50 and better represented 4.7% of new hires in 2009. In accordance with the French social security financing act passed in 2009 and to increase the employment rate for seniors, stop the trend towards early retirement and preserve pension schemes, Saint-Gobain units in France signed agreements or implemented action plans with specific targets and tracking indicators in the following areas:

- Hiring of older employees.
- Forward-looking career planning.
- Improved working conditions and prevention of physically challenging situations.
- Development of skills and qualifications and access to training.
- End-of-career scheduling and transition to retirement.
- Transmission of skills and competencies and development of mentoring.

Honest, open, high quality social dialogue

In each business, most of the social dialogue process takes place at the company or facility level, where it can deliver an appropriate response to local concerns and issues. Employee representatives negotiate and sign agreements with individual companies, in accordance with local legislation and practices. These practices vary from country to country. In 2009, 64% of employees had an employee representative body in their unit.

Of the 1,579 agreements signed with employee representatives during the year, 29% addressed compensation issues, 25% jobs and 22% work organization.

In all, 64% of employees (99.7% in France) are covered by a collective-bargaining agreement.

European social dialogue

Since 1988, the European Social Dialogue Convention has helped to enhance the quality of the social dialogue process by addressing issues of mutual concern and facilitating the exchange of information, supporting both local negotiations with employee representatives and the Group's Europe-wide employee relations commitment.

Now comprising 70 union representatives from 20 European Union host countries plus Switzerland and Norway, the Convention's annual meeting offers an opportunity for General Management and employee representatives to exchange views on the Group's strategy and on various business, financial and employee relations issues of concern to all of our European subsidiaries.

A permanent secretariat provides a forum for more extensive and frequent dialogue with management. It currently includes nine members of eight different nationalities (German, French, British, Spanish, Italian, Dutch, Norwegian and Polish) who are provided with technological resources and receive time-off pay for the performance of their duties.

The permanent secretariat is led by a three-member committee comprised of a secretary and two deputy secretaries. This tends to be the most active part of the organization during the year, since it is responsible for monitoring the general process and ongoing day-to-day dialogue with management. In turn, management keeps the committee informed of any international transactions that affect the Group's scope of consolidation or structure.

General Management requested an increase in the number of meetings with the permanent secretariat to respond to questions from employee representatives about the current business environment.

Particularly important in periods of economic and financial crisis, social dialogue helps employees understand the Group's strategy while allowing the Group to anticipate possible difficulties down the road and reduce the impact on the workforce. An outside expert reviews all of the Group's industrial facilities in Europe and works with Sector management to identify potential restructuring risks. A summary of the expert's finding, updated annually, is distributed to the Convention's 70 members.

New agreement drives further progress in European social dialogue

On September 23, 2009, an addendum to the Group's 1992 European Social Dialogue Agreement was signed by CEO Pierre-André de Chalendar, the delegation responsible for implementing the Agreement, led by Thierry Logeon, delegation secretary, and the two representatives of the EMCEF and FECCIA European trade unions, Sylvain Lefebvre and François Vincent.

"At Saint-Gobain, social dialogue isn't just a fad," noted Pierre-André de Chalendar in the October 2009 issue of *The Month*. "The Group has consistently demonstrated a deep commitment to active, sincere social dialogue that complies with our Principles of Conduct and Action and that respects employee representatives' rights."
The addendum aligns the 1992 Agreement with Directive 2009/38/CE of the European Parliament and Council dated May 6, 2009, on European Works Councils. It describes, in particular, the process for informing and consulting employee representatives in Europe on transnational employment issues. While European social dialogue does not replace the work done by local representative bodies, which perform their duties in accordance with local legislation in units across Europe, it is the key forum in which Saint-Gobain management consults with employee representatives on strategic issues. The objective is to involve employee representatives more deeply in major decisions that affect the company's everyday operations, creating a climate of trust that nurtures meaningful discussion. With the signature of the addendum, the secretariat—re-named "Select Committee"—was given broader responsibilities.
"This addendum is an important step forward that will help us anticipate challenges we will be facing in the area of employment together," explained Pierre-André de Chalendar."
During the first half of 2009, Group management met with the representatives of the European trade unions on several occasions in order to respond effectively to the need to anticipate and support change at European level. This dynamic will continue so we maintain a long-term dialogue with employee representatives."

Assessments and surveys

Saint-Gobain continuously pursues dynamic, interactive dialogue with employees, through a variety of forums, surveys and interviews, in a commitment to fostering a sense of alignment among the various internal stakeholders and to effectively addressing employee expectations and aspirations.

A number of regular events enable managers to talk directly with General Management. Held four times a year, the Carrefours Saint-Gobain forums offer 200 to 300 managers an opportunity to gain greater insight into our strategic vision, as senior executives talk about our strategic challenges, priorities and objectives, and then answer questions from participants.

Some of the Delegations and companies also regularly conduct surveys to gauge employee opinion at every level and define local action plans. This is the case at Point.P, for example.

The Brazil Delegation encourages its subsidiaries to survey their entire workforce every one or two years to assess employee views and expectations on Group strategy, the image of the company and the Group, working conditions and the extent to which their personal aspirations are being fulfilled.

Employee compensation and profit-sharing

Wages

Compensation policies are designed to be fair, motivating and transparent. The Delegations set base salary scales for their region by country and business, in line with market practices. Each company sets employee salaries based on its business and its financial and employee relations situation. Wages of blue collar workers and non-managers are at least in line with the levels defined in the collective-bargaining agreements.

In addition, to foster team spirit and ensure that all employees have a stake in their company's success, the Group encourages member companies to sign discretionary profit-sharing agreements whenever possible. In France, 99% of employees were covered by such an agreement in 2009, with the French subsidiaries paying a total €57.5 million in profit-shares for the year, or 6.9% of total payroll. The reason payout decreased by around 10% from 2008 is that discretionary profit-sharing criteria are often based on performance targets that were harder to meet due to the recession.

Managerial compensation generally includes a bonus, governed by rules set at the Group level and tailored to each region based on local conditions.

Saint-Gobain adopted common guidelines for determining variable and other bonuses in 1999. In 2009, these guidelines were revised and combined into a single system for all of Europe based on three factors: individual performance, the unit's performance and, in the interest of mutual support, the performance of the Division, Sector or Delegation. Uniform assessment criteria measure and reward improvements in profitability and cash preservation. Other criteria are also used to measure workplace safety, team and skills development, successful completion of specific projects and other non-financial factors. To align bonuses with local situations, the new system is administered by the General Delegations in liaison with the Sectors.

Supplemental benefits

In most host countries, subsidiaries provide employees with supplemental healthcare and other benefits, as well as stipends for meals and occasionally for transportation. 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.

The Group Savings Plan

Since 1988, the Group Savings Plan has helped to give employees an even greater stake in their company's earnings and growth by enabling them to become shareholders under preferential terms. They are not only offered shares at a discount, but in some countries they are entitled to an attractive matching contribution as well. Investments in the Plan must be held for a period of five or ten years.

At the end of 2009, Plan funds held 7.6% of Compagnie de Saint-Gobain's outstanding capital and 9.6% of the voting rights (see page 106).

The Plan was extended to China and Bulgaria during the year, bringing the total number countries covered to 42.

Saint-Gobain recognized by employee share owners association

In November 2009, Saint-Gobain was recognized with the 2009 Lauréat d'honneur award from the French Federation of Employee Shareholders (FAS) at the Actionaria exhibition, in Paris.

Grant of seven shares without consideration to all employees

On November 19, 2009, the Board of Directors approved a global plan to grant seven shares without consideration to all Group employees. The grant was contingent on the grantee's period of service with the Group and on the rates of growth in the Group's consolidated operating income (excluding the Packaging Sector) for the years 2010 and 2011. The program's goal is to enable all Group employees to be Saint-Gobain shareholders.

In 2009, Saint-Gobain set up a socially responsible investment fund for employees within the Group savings plan with a focus on sustainable development. Five to ten percent of the diversified fund is continuously invested in socially responsible French companies to finance inclusion programs, and the rest is invested primarily in bonds and shares of socially responsible companies in other European countries.

Employment data

At December 31, 2009, Saint-Gobain had 191,442 employees.

During the year, the Group had to take rightsizing measures in response to the recession. Because the economic and financial crisis was global in scope, the Group took action worldwide. All Divisions and regions were asked to make cuts so that the workforce breakdown by Division and region remained relatively stable.

By Sector

The Building Distribution Sector accounted for 35.3% of total headcount, followed by the Innovative Materials Sector (31.3%) and Construction Products (24.4%).

Innovative Materials

The Innovative Materials Sector felt the greatest impact from downsizing, with headcount declining by a gross 11.4% between 2008 and 2009.

- **Flat Glass**

The flat glass workforce declined by 9.9% like-for-like in 2009.

- **High-Performance Materials**

The number of High-Performance Materials employees declined by 13.1% like-for-like during the year. Cuts were spread across the business portfolio, with the largest number in Abrasives.

Construction Products

The Construction Products Sector saw its workforce decrease by a gross 8.1%.

Like-for-like, the reduction came to 9.2%, spread across all Divisions (Exterior Products, Pipes, Gypsum, Insulation and Industrial Mortars).

Building Distribution

Total employment in the Building Distribution Sector declined by a gross 7.7%.

Rightsizing was carried out at virtually all of the banners in response to lower market demand.

Packaging

The Packaging Sector saw its workforce decrease by a gross 3.8%.

By Delegation

Overall headcount in the Delegations declined during the year, with the largest declines seen in the regions hardest hit by the recession.

On a like-for-like basis, the cuts were as follows: Mexico, Venezuela, Colombia & Central America, down 16.5%; Eastern Europe, down 14.2%; North America, down 13.5%; Asia-Pacific, down 13.1%; Spain, Portugal, Morocco, down 12.2%; Russia and Ukraine, down 10.9%; United Kingdom, Republic of Ireland, South Africa, down 9.6%; Central and Northern Europe, down 9.1%; Italy, Egypt, Greece, Turkey, down 6.8%, France, down 6.3%, Brazil, Argentina, Chile, down 3.9%, and India, down 3.1%.

Separations

The separation rate narrowed by 0.5 points to 17.8%.

- Attrition declined to 10.6% from 13.2% in 2008.
- The resignation rate decreased sharply to 4.5% from 7.1% in 2008. This trend was seen in all Sectors and all regions, with the notable exception of India (13%). In a recession, employees seemed to have more interest in pursuing their careers within the Group.
- The overall termination rate rose to 8.6% from 5.8% in 2008, reflecting workforce cuts made necessary by the recession. All the Sectors were affected, in varying proportions.

The termination rate stood at 17.3% in Latin America, 14.8% in North America, 13.2% in Central and Eastern Europe, 6.3% in Western Europe and 5.5% in the emerging economies of Asia.

Because the impact of terminations was offset by the lower attrition rate and decline in resignations, the overall separation rate was virtually stable and had no direct effect on changes in employment data.

Restructuring

Layoffs, restructuring programs or site closures are carried out only when they are unavoidable to preserve the financial health of the subsidiary or Sector in question. In such cases, the Group's size and diverse business base offer a wide variety of opportunities for inplacement transfers.

In France, restructuring may include plans to preserve employment, as was the case in 2009 in the Avignon employment pool, or voluntary separation, which is sometimes better suited to certain situations. In all cases, Saint-Gobain Développement leads an active support process designed to place as many of the affected employees as possible in new positions. In particular, local job centers deliver ongoing, personalized support, even after the work site has closed. Procedures are also in place to address the professional, material, psychological and personal consequences of losing one's employment. Depending on their needs, employees may benefit from additional training, relocation assistance, spousal job placement or support for pursuing a personal project.

Signature of a mobility support agreement in connection with the deployment of shared services centers within the Group, in France

General Management has continued to deploy the Symphonie program as part of its strategy to make administrative processes more efficient by leveraging synergy within the Group. Symphonie's measures are designed to make organizations even more efficient, notably by automating and pooling certain administrative tasks that, until now, were handled by different Saint-Gobain companies.

On January 20, 2009, the Employee Relations Department in France signed a Groupwide agreement with employee representatives to provide support for mobility in connection with the deployment of shared services centers. The agreement calls for a set of assistance and support measures to encourage employees to accept positions in a shared services center whenever possible. These measures are applicable in all Group companies in France concerned by this issue.

Hiring

Given that the overall separation rate remained virtually unchanged, the decline in the workforce reflected reduced hiring. An assertive policy was implemented at the Group level and operations managers were asked to be extremely selective in renewing their teams. All hiring plans had to be validated higher up.

As a result, the hiring rate declined to 9.2% from 16% at end-2008 and 20.1% at end-2007.

This decline was apparent in all Sectors, with hiring down 58% in the Innovative Materials Sector, 47% in the Construction Products Sector and 44% in the Building Distribution Sector.

In all, the Group hired 17,354 people in 2009, around half as many as in 2008.

All host regions were involved in scaling back hiring.

Use of temporary workers and subcontractors

Temporary work

In a tight employment situation, the use of temporary workers is carefully monitored to ensure that it is truly justified. Common reasons include a lack of visibility for certain incoming orders, temporary difficulties in hiring and the need to replace an absent employee.

The absenteeism rate was 3.7% in 2009, versus 4% in 2008. The most common causes of absenteeism are illness, maternity leave and workplace accidents.

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. Hours worked by temporary staff represented 7.2% of total hours worked in 2009, with sharp differences by region.

Fixed-term employment contracts are more effective for assignments spanning several months, such as to replace workers on maternity leave or extended sick leave, or to handle spikes in production resulting from large orders. The percentage of Group employees on fixed-term contracts declined to 3.4% in 2009 from 4% in 2008 and 6.2% in 2007.

During the year, 31.1% of fixed-term employment contracts were converted to permanent contracts, compared with 48.5% in 2008.

Subcontracting

Group companies in every host country use subcontractors to perform certain activities that fall outside their core competences. Two types of task may be outsourced:

- The most common are ancillary tasks such as security, maintenance, cleaning, catering, medical services and, at smaller units, payroll, information technology and accounting.
- Other tasks that are sometimes outsourced include packaging, goods transport and various handling tasks. While related to product production and distribution, these services remain peripheral to each Sector's core business.

Before signing an outsourcing agreement, subsidiaries are required to verify that the partner company's operations and employment contracts comply with applicable legislation. Employees of service providers and subcontractors working on a Group site are expected familiarize themselves with site safety standards upon their arrival. During their presence on-site, they are subject to the same health and safety rules and regulations applicable to Group employees working at the same facility. They receive specific training in these areas as needed.

Employee categories

Managers

The proportion of managers in the workforce rose to 13.1% in 2009 from 12.3% the year before.

The percentage is generally higher in Western countries, where our longer history is reflected in a greater number of head offices and Research and Development centers. This is especially true in France (16.5%) and North America (20.8%).

India is a special case, with managers accounting for a record 22.1% of the workforce.

In 2009, women accounted for 16.4% of the Group's managers.

Administrative employees, technicians and supervisors

This category, which also includes sales personnel, rose to 41.3% of the total workforce from 40.5% in 2008 and 39.2% in 2007. In 2009, women accounted for 32.1% of employees in this category. However, in Russia, Eastern Europe and North America, the percentage of men and women is more or less the same overall.

Operators

Operators represented 45.5% of the total workforce in 2009, a nearly two-point decline from 47.3% in 2008. The decrease was seen in all Sectors and regions, with the exception of India, where the percentage increased by 2.2 points.

Women accounted for 10.3% of the category in 2009.

Working conditions

Shift work

Shift work primarily concerns the manufacturing operations, where it is organized in response to technical production requirements. Distribution operations are not generally organized in shifts.

In 2009, 32.6% of employees in manufacturing operations worked in shifts. Days may be organized into two, three or more shifts, in the case of round-the-clock production, 365 days a year. Groupwide, round-the-clock production is performed in cycles, with alternating active and idle periods. In every country, shift workers work fewer hours a year than day workers.

In Building Distribution, customer needs at certain banners sometimes require that employees work in shifts. This is the case in Brazil, for example, where some stores are open 24 hours a day.

Overtime

To respond to a temporary increase in workload, some Group companies are occasionally required to ask their employees to work overtime. On average, overtime represented 3.9% of all hours worked in 2009.

Part-time work

Part-time work concerned 3.3% of the workforce in 2009.

IV. VALUES SUPPORTING RESPONSIBLE GROWTH

Promoting the Group's values and preventing business risks

Saint-Gobain's response to the challenges of sustainable development is rooted in the values shared by all our employees.

These shared values are enshrined in the Group Principles of Conduct and Action, which everyone in the corporate community is expected to apply.

The Principles have been translated into 33 languages and distributed to employees at every site in our host countries.

The Responsible Development Department coordinates programs to ensure that the Principles are integrated in daily management practices. General Management has asked to the Sectors and Delegations to systematically refer to the Principles in all employment contracts. Similarly, the annual performance review form used throughout the Group includes a specific paragraph on compliance with the Principles of Conduct and Action.

Certain corporate departments, such as Purchasing and Environment, Health & Safety, have prepared charters adapting the Principles to address their specific issues. In addition, Delegations in the United States, India and other countries have drafted local charters extending the Principles in their region.

Lastly, the Responsible Development Department participates in the some thirty management seminars organized each year by the Group Training Department. The General Delegations also arrange targeted awareness-building initiatives for employees in their respective territories, in liaison with the Responsible Development Department.

On July 23, 2009, the Board of Directors approved the launch of a Group Compliance Program to ensure that the Principles are applied properly in all Divisions worldwide.

Group Compliance Program

Over the years, Saint-Gobain has taken the necessary steps to deploy a clear policy affirming its values and rules and to ensure these values and rules are effectively applied. Key documents include the Principles of Conduct and Action, the Competition Plan and charters prepared by the Purchasing, Suppliers and Environment, Health & Safety departments. The Responsible Development, Audit and Internal Control departments also play a major role.

ALIGNING AND ENHANCING EXISTING SYSTEMS

The Group Compliance Program relies on four main levers to align these systems and make them even more effective:

The Responsible Development Department, which issues the Principles of Conduct and Action and educates employees on their application. The department is responsible for making employees aware of the Principles so that they use and apply them in their daily work. More broadly, the department supports the functions in applying the Principles and adapting them to each skill-set, such as Responsible Purchasing.

The Competition Plan, which is designed to teach team members about the basic rules of competition law and ensure full compliance throughout the Group. Training and spot audits have been developed and applied in all Divisions and host countries, including those where competition law is less stringent than in Europe and the United States.

Internal Control, which is responsible for controlling the units' main business risks. The internal control system is designed to ensure that units comply with laws and regulations and apply the strategy and guidelines set by General Management. Internal control also verifies that processes operate properly, that financial information is reliable, that property, plant and equipment and intangible assets are safeguarded and that fraud is detected and eradicated. The Audit and Internal Control Department has designed and deployed a compliance statement that all Division heads are asked to sign each year.

A whistle-blower system, which is being deployed in the Group's host countries to enhance compliance and give employees a way to alert correspondents of any serious violations of the Principles of Conduct and Action, applicable legislation or internal procedures. In implementing this system, the Group is taking into account any legal or administrative constraints, as well as national regulations governing this type of procedure.

The whistle-blower system comprises one e-mailbox per country, accessible solely through the Group intranet. The rules of use are as follows:

- The system is non-obligatory and, except in exceptional circumstances, limited to cases where the violation has already been reported to supervisors with no result.
- The violation must be serious.
- The report must be submitted in good faith.

- Anonymous reports are not accepted.
- The whistle-blower's identity must be kept confidential. In addition, no disciplinary action may be taken against an individual for filing a report.

CASCADING THE SYSTEM TO ALL LEVELS

The Group Compliance Program is global in scope and applies to all Saint-Gobain host countries. Reflecting the Group's matrix organization, the program organization includes a network of front-line correspondents backed by Compliance Committees.

Network of front-line correspondents

Each General Delegation has appointed one or more compliance correspondents, depending on its organization and linguistic profile. Two correspondents have been appointed in France. Their mission is to implement all aspects of the Group Compliance Program, with a special focus on local communication and training and management of the whistle-blower system. As concerns this system, correspondents are responsible for taking appropriate measures after consulting with the General Delegate and for reporting any suspected fraud to the Audit and Internal Control Department.

Compliance Committees in the Delegations

The Compliance Committees are another key component of the compliance system in the Delegations. Chaired by the General Delegate, the Committees are made up of functional and operational managers in each General Delegation's host country or countries, as well as its compliance correspondents. The Committees meet periodically to hear the report(s) of the compliance correspondent(s), review any difficulties in applying the program and offer suggestions on improving the program. The compliance correspondents are responsible for implementing the Committees' instructions.

Group Compliance Committee

The Group Compliance Committee, comprising representatives from Compagnie de Saint-Gobain and the Sectors, meets at least three times a year. The Committee reports to the CEO. It reviews reports submitted by the correspondents and any comments from the Delegation Compliance Committees. The Group Compliance Committee coordinates the Delegation Compliance Committees' actions, issues instructions and proposes additional measures to ensure or improve the Group Compliance Program's effectiveness worldwide. It files a report with the Chairman of the Board of Directors of Compagnie de Saint-Gobain. The Group Compliance Committee also serves as the Delegation Committee for France, which includes France's two compliance correspondents.

Responsible development

In addition to the measures to promote the Principles described above, particular efforts were made in 2009 to raise awareness among non-managers. During the year, the Construction Products Sector included a module on the Principles in its annual seminar on safety.

In addition, a module known as "Adhere" has been developed to ensure systematic training on the Principles for the broadest possible audience.

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Online training in the Principles of Conduct and Action

Training resources have been improved to help employees understand and embrace the Principles of Conduct and Action. The Responsible Development Department, with support from the Training Department, has developed an online training program called "Adhere" along the same lines as the "Comply" module on competition law used since 2006. With"Adhere", users are asked to guide fictional characters in different situations, based on the Principles of Conduct and Action. The goal is to give employees a simple and active opportunity to think about the consequences of certain on-the-job decisions and the Principles' fundamental role in the decision-making process.

The two-part training program comprises an informational section that presents the Principles with explanatory sheets and additional resources on the intranet and a hands-on section in which fictional characters in different jobs play out situations covered by the nine Principles. While not exhaustive, the scenarios illustrate the various professional situations in which Group employees may find themselves. At the end of each story, the user is asked to identify the Principle in question and assess the characters' behavior, referring to the explanatory sheets if necessary.

Developed in 2009, "Adhere" is designed for all Group employees. Deployment of French and English versions began in the first quarter of 2010. Other languages will be added gradually. Training will be organized by the compliance correspondents.

Once they have completed the module, employees will have direct access to the catalog of scenarios. They may use the stories and, if needed, real-life situations to discuss the Principles with their teams.

Competition Plan

The effectiveness of our risk prevention mechanisms depends to a large extent on ensuring that management and employees embrace and strictly observe the Principles of Conduct and Action.

For this reason, General Management initiated deployment of a Competition Plan in 2007. Since then, the plan has been gradually rolled out across the Group. As of end-2009:

- More than 20,000 managers had been introduced to the basic rules of competition law through the "Comply" online training course, which has been translated into 16 languages. A new campaign to raise and refresh awareness will be deployed in 2010.
- More than 2,000 managers in 14 countries had attended 98 seminars on competition law led by lawyers and Group legal specialists.
- 84 unannounced audits had been performed, covering more than 350 people across all Sectors in 20 countries.
- 27,000 people had received a copy of the Competition Law Compliance Guide, which reviews competition rules, banned practices and the consequences of non-compliance. The Guide has been translated into 17 languages.

Everyone in the Saint-Gobain corporate community is expected to comply at all times with good competition practices.
The measures called for in the Competition Plan are implemented and repeated regularly to ensure that all employees are aware of the stakes involved at all times. General Management regularly reminds team members of the Group's zero tolerance policy.

Internal control

For a detailed description of the Group's internal control system, see the Chairman's Report (pages 131 to 136).

Whistle-blower system

The fourth lever of the Group Compliance Program, the whistle-blower system is intended for deployment in all host countries. The system is based on the concept of non-anonymous alerts sent to compliance correspondents at a dedicated e-mailbox. Each country has its own e-mailbox so that all employees can use the system in their own language.

So far, 53 e-mailboxes have been set up. A number of mandatory procedures need to be completed in certain countries before the system can be implemented, including obtaining administrative authorizations or consulting employee representatives. The goal is to have the system up in running in all host countries by the end of 2010.

Responsible purchasing

The responsible purchasing process reflects the application of the Principles of Conduct and Action to Group purchasing. The process is based on a Purchasing Charter, which provides guidelines for routing purchasing practices, and a Suppliers' Charter, which spells out the Group's environmental and social criteria for suppliers and service providers. Both Charters refer explicitly to the Principles of Conduct and Action.

The process has been gradually rolled out across the Group. In particular, the responsible purchasing policy has been widely circulated and clauses concerning sustainable development have been included in general purchasing terms and conditions.

In 2009, the Suppliers' Charter was distributed to 1,000 suppliers along with a self-assessment questionnaire, with the goal of raising supplier awareness of the Group's commitment to selecting partners that demonstrate the highest compliance with sustainable development principles. The program will continue in 2010 with an expanded number of suppliers.

A structured process to audit suppliers was also developed in 2009, with specific sections devoted to responsible purchasing. This new system will be implemented in 2010.

The responsible purchasing process was included in Purchasing Department training throughout 2009. The Principles of Conduct and Action were described in detail, as were the specific guidelines in the Purchasing Charter.

The 2008-2010 Purchasing Action Plans also include sustainable development initiatives, to reduce energy and raw materials use, optimize supply chain flows, and manage the corporate vehicle fleet's carbon footprint.

As part of the Group's commitment to mainstreaming disabled workers, discussions were initiated on expanding purchases from sheltered workshops. These discussions should lead to tangible measures in 2010.

More generally, to improve risk identification and prevention, sustainable development considerations are being built into all of the internal control and audit processes (see pages 142 and 148).

Supporting community development

Our decentralized organization means that we can act as a good corporate citizen in all of our host communities by effectively responding to each one's specific characteristics and needs.

We have long encouraged corporate social responsibility (CSR) initiatives at the most appropriate level (Delegation, company or site). In 2009, we devoted around €4 million to community initiatives of all kinds. Aside from financial support, we actively encourage our team members to get involved as volunteers.

Local organizations are empowered to determine the most effective type of initiative, which may include setting up a dedicated structure, working with non-governmental organizations (NGOs) on a specific project or on a regular basis, or supporting employee involvement in outreach programs.

Examples include:

- The Saint-Gobain Corporation Foundation in North America, which divides its contributions among three programs:
  - Matching Gifts, through which the Foundation matches up to 50% of employee donations to non-profit organizations or educational programs.
  - Community Gifts, through which each facility in the United States or Canada contributes to the local community. The sites are responsible for selecting recipients and initiatives based on local needs and priorities.
  - Direct Grants, through which the Foundation supports certain non-profit organizations involved in energy conservation, environmental issues and home insulation.
- The Saint-Gobain Foundation in India, which primarily supports educational projects.
- The PAM Foundation in France, which has assisted young people with employment or financial difficulties since 1999 by offering mentoring support from Group employees.
- The Gypsum Division's Fondation Placoplatre® in France, which prepares young people for jobs in the construction industry and supports local environmental initiatives and gypsum-related cultural activities.
- The Saint-Gobain Initiatives international corporate foundation, which began operating in the first half of 2009.

The Saint-Gobain Initiatives international corporate foundation

We believe that as a leader in the habitat and construction market, we have a duty to conduct Group-level CSR programs in areas aligned with our strategic vision. This is the role of the Saint-Gobain Initiatives international corporate foundation, which supports clearly identified projects with financing or technical assistance in three focus areas:

- Preparing young people for jobs in the habitat and construction industry.
- Building, improving and renovating low-income housing, to support local communities.
- Improving the energy efficiency and environmental performance of low-income housing.

The Foundation's intention is that projects be sponsored by Group employees, who participate in assessing them and, if possible, in monitoring them through to completion.

The Foundation is administered by a 15-member Board chaired by Saint-Gobain CEO Pierre-André de Chalendar and including five qualified individuals from outside the Group. Operations are handled by a Management Committee, supported by a Selection committee and a coordination team. Financing is provided in equal proportions by Compagnie de Saint-Gobain and Sectors involved in the habitat and construction market.

A vast internal communication campaign was launched in January 2009 to introduce the Foundation to all Group employees.

During the year, the Selection Committee and Management Committee each met three times. Six initial projects were greenlighted:

- Renovation of an orphanage in Salzburg, Austria.
- Rehabilitation of existing buildings and construction of a halfway house for mentally or socially disabled persons in Cherbourg, France.
- Construction of a drinking water purification system in Long An, Vietnam.
- Training in building industry skills for young people in Marseille, France.
- Participation in a project to build wood frame homes to provide emergency housing for distressed persons who are unable to live in a group setting, in Bordeaux, France.
- Construction of energy efficient houses for distressed persons in Worcester, Massachusetts (USA).

The Foundation is currently evaluating some forty projects around the world.

Supporting local economic development

In most host countries, Group companies nurture a close relationship with professional organizations and local authorities, while the General Delegations actively participate in industry associations and chambers of commerce (or similar bodies), and are in regular contact with national government agencies. In addition to these basic community outreach programs, Group companies help to develop their local employment catchment areas, thereby fostering a favorable economic environment.

Relations with local communities are the most highly structured in France, where the Group's presence is the most concentrated. This is primarily due to Saint-Gobain Développement, which supports local development and the revitalization of employment catchment areas.

Saint-Gobain Développement contributes to local economies in a variety of ways, from forging partnerships with small- and medium-sized enterprises (SMEs) and helping employees create their own businesses to participating in regional events and providing support to local development networks and organizations.

To support growing SMEs, Saint-Gobain Développement offers a comprehensive range of solutions, including unsecured, low-interest participating loans, expertise sharing and skills transfers, as part of a long-term "manufacturer–entrepreneur" partnership.

In 2009, Saint-Gobain Développement signed 33 agreements involving more than €1.1 million in loans, thereby helping to finance the creation of 453 jobs in our host communities. Most of the loans were first granted to companies involved in the environment.

In addition, Saint-Gobain Développement offers SMEs the services of a skills transfer specialist, who supported 27 companies in 2009, sometimes with input from Group employees on specific issues.

In a commitment to strengthening its corporate citizenship outreach and forging ties with local economic development stakeholders, the Group takes part in a number of programs to support local and regional development in France:

- Alizé programs (local intercompany initiatives in employment areas) enable large corporations and government agencies to pool their technical and financial resources to support business development in a given region. Saint-Gobain Développement has participated in these programs for several years now and is particularly active in northern France, Savoie, Vaucluse and Isère.

- A national network of regional centers for technical support and innovation, known as Creati, brings together government agencies and large corporations in a given region to support SME innovation projects and contribute the necessary capabilities. Saint-Gobain is involved in a number of Creati centers, including in the greater Paris area, Aquitaine and Picardie. Saint-Gobain Développement leads the Picardie network, which it helped create.

- Constructive Innovations, which focuses on energy efficiency and materials in partnership with institutions, groups, SMEs and other members, intends to build a model village to present innovating habitat solutions. Saint-Gobain Développement is networking Group team members and coordinating the project as part of the Habitat mission.

More generally, the Group is active in economic development networks and participates in the annual meetings of local economic agencies in its host regions.

Saint-Gobain Développement further focuses on fostering deeper local relationships in disadvantaged areas. In late 2005, for example, the Group signed a charter with local authorities in the grouping of suburban towns north of Paris known as Plaine Commune. Our local companies are now actively involved in creating jobs, through visits to schools and participation in job fairs.

Lastly, Saint-Gobain Développement helps employees who want to start their own businesses by conducting feasibility and other in-depth studies and, if appropriate, by providing technical and/or financial support for up to five years. Energy efficiency projects are a special focus. Given the difficult economic situation in 2009, priority was also given to projects that could create jobs in the hardest hit regions.

In all, 25 projects were monitored and financed in 2009, but the impact in people terms was probably much larger, since successful projects often result in the creation of several jobs.

Supporting education and training

Saint-Gobain provides support for education at every level, from secondary schools to universities, and in a variety of forms, including equipment donations, site visits, participation in national programs and assistance in technical training classes. Locally, this support often comprises assistance in building primary schools, equipment donations to schools and scholarships for struggling youths.

Nationally and internationally, a number of subsidiaries also organize contests on subjects related to their business, as an opportunity to raise young people's awareness of specific issues. In Eastern Europe, for example, subsidiaries in the Construction Products Sector have partnered with architecture schools in Romania, Bulgaria and Croatia by supporting and participating in architectural competitions. This approach offers a number of advantages: it places students in a real-world work environment, transfers knowledge and demonstrates Saint-Gobain products, and provides opportunities for students from different universities to interact.

Supporting technical and vocational training is another major focus for our subsidiaries, as they can leverage their skills and capabilities and offer targeted training programs that meet the specific needs of their businesses. Students from nearby schools are frequently invited for on-site visits, allowing them to discover our businesses in greater detail, connect what they learn in the classroom with the actual workplace practices and explore the possibility of working for the Group. Other sites are involved in programs to support young people as they enter the workforce.

The Group also encourages its subsidiaries to take on young people as part of on-the-job training schemes, such as work/study programs, apprenticeships and skills certification programs. In 2009, these young trainees accounted for 2.5% of the workforce in France.

Our neighborhoods have talent

On September 28, 2009, Saint-Gobain officially launched a partnership with the "Our neighborhoods have talent" initiative, which supports new university-level graduates from lower income neighborhoods in France—many of immigrant background—in obtaining their first jobs. Since 2005, 4,000 young people have been sponsored by managers from large corporations, who donate their time to provide guidance in the job search process.

Saint-Gobain supports this initiative, which is aligned with its ambition to raise awareness in-house about the importance of diversity within the Group. Each new graduate is sponsored by a two-person team comprising a junior manager and a Group executive.

In the first three months after launch, some fifty employees participated in sponsoring 24 new graduates in the greater Paris area and the Rhône-Alpes region.

100 opportunities—100 jobs

For many years, Saint-Gobain has actively participated in the "100 opportunities—100 jobs" program that began in Chalon-sur-Saône, France, and has been gradually extended to Grenoble, Chambéry, Le Havre, Rouen, and the Hauts-de-Seine and Seine-Saint-Denis departments near Paris. Designed to provide an on-ramp for disadvantaged young people with few skills, the program brings together the local job placement and unemployment offices, local communities and other companies in the area. The support given by the Group includes mock interviews, site visits, vocational training programs and work/study contracts.

Since the program was launched, 128 young people out of 231 have successfully found employment in the Chalon-sur-Saône area, for a long-term job placement rate of 56%.

On October 12, 2009, Saint-Gobain officially launched a new partnership in the Nice area. Twenty-two businesses in the region are involved in the initiative, among them Group subsidiaries Dispano, K par K, Lapeyre, La Plateforme du Bâtiment, Point.P, SFIC and Soprover. Other partners include Vicat, Schneider Electric and Brinks. The young people are tracked by the community's local job placement office and other employment agencies. The Building Distribution Sector's local sites coordinate the program.

Encouraging solidarity and supporting cultural activities

Saint-Gobain is involved in a wide variety of corporate patronage programs, through the direct participation of employees or by providing financial support for charitable organizations. Issues that attract the greatest attention include healthcare, support for the underprivileged, cultural programs and research.

Helping to re-build L'Aquila after the earthquake

Saint-Gobain Gyproc and Saint-Gobain Glass have helped finance the reconstruction of new offices for the university in L'Aquila, a town located in central Italy's Abruzzo region that was severely damaged by an earthquake on April 6, 2009. Built using a drywall technology, the university building will be energy efficient. The Group is also involved in other projects nearby. Saint-Gobain Gyproc, for example, is playing an active part in the construction of a daycare center in Poggio Picenze, near L'Aquila, with donations of building materials and plasterboard.

Healthcare

All of the subsidiaries and Delegations encourage employee involvement in initiatives supporting health-related projects.

Employees regularly participate in national campaigns to raise money for charitable organizations, such as the Together project in the United Kingdom, the Telethon in France and Télévie telethon in the Benelux countries.

Launch of a new "Together" program

Saint-Gobain Building Distribution UK and Ireland (SGBD) has launched a new charity partnership with Help the Hospices for 2009-2010 through the Together campaign. For the first time, all SGBD banners and sites are involved, representing a total of 11,000 employees at 1,000 sites. To create an effective SGBD Hospice Hub support network, each site is twinned with its own local hospice. In addition to raising funds, SGBD puts its expertise in building and construction to use in hospice rehabilitation and construction projects.

Many sites also participate in blood drives, offering an opportunity for a large number of employees to donate.
In countries facing certain social and health problems, subsidiaries often deploy more local initiatives, most often designed to meet the needs of neighboring communities. This is the case in India, where for several years, Saint-Gobain Glass India has organized campaigns to help prevent eye diseases.
AIDS awareness-raising campaigns are also organized, with subsidiaries in South Africa playing a particularly active role.

Emergency assistance in Viareggio

Saint-Gobain Gyproc, Saint-Gobain Weber, Saint-Gobain Glass and Saint-Gobain PAM joined forces to assist the residents of Viareggio in Tuscany following a train derailment and subsequent fire on June 29, 2009 that caused a number of fatalities and extensive damage. The four companies, who have a deep local presence, decided to allocate funds to the purchase of a new ambulance after the disaster, to help replace some of the emergency-response resources destroyed by the fire. The ambulance was delivered on August 8 and commissioned the next day.

Solidarity with the underprivileged

Solidarity is often expressed at a very local level, to provide direct assistance to people in the host community in the form of toys, clothing and other items donated by employees.
Donations are also made through local specialized organizations, such as the Red Cross in many countries or more specifically, the United Way of Massachusetts in the United States. Saint-Gobain's US subsidiaries have for many years contributed to the United Way, the country's largest charitable organization.

Support for the Niall Mellon Township Trust

Saint-Gobain Construction Products South Africa has teamed up with the Niall Mellon Township Trust to build quality social housing for impoverished families living in the townships of South Africa. The company donated ZAR 1 million (around €90,000) worth of Isover, Gyproc and Weber building materials for the Trust's 2008 Building Blitz, during which 250 homes were built. As the top donor, Saint-Gobain Construction Products South Africa was named a Blitz Partner.

Along with providing materials, several of the companies managers participated personally in the construction work in Khayelitsha Township, near Cape Town. Two groups of 50 Saint-Gobain employees were involved in the Building Blitz in 2008 and 2009.

Lastly, some of these initiatives are designed to promote international solidarity. In France, head office teams enthusiastically participated in the first inter-company challenge organized in the La Défense business district by the *Action Contre la Faim* association, raising more than €3,000 for its campaign against hunger.

Donations for a disabled children's center

Saint-Gobain Construction Products Malaysia organized a half-day charity event to help 57 disabled children at the Pusat Jagaan Anbe Sivam home near Kuala Lumpur.

The event came on the heels of a donation drive that collected MYR 4,532 (around €900) in cash, along with household appliances, food and clothing. Some forty employees and their families participated directly by helping to renovate classrooms and physical therapy units at the center using Gyproc products. They also repainted the walls and renovated in the interior decoration to give the children a pleasant environment in which to learn and grow.

Friends of scrap collectors in Brazil

Saint-Gobain Canalização is supporting a project launched in 2003 to promote selective sorting of household waste in Itaúna, Brazil. All the waste collected is sent to the COOPERT recycling cooperative, which provides a decent living for former scrap collectors who lived off what they could find in the streets. With support from city officials and partners like Saint-Gobain Canalização, they have been able to organize themselves as an identified category of workers.

Thanks to its participation, Saint-Gobain Canalização has been recognized as a corporate supporter of selective waste sorting in Itaúna, a town that has become a benchmark for recycling.

Children's foster home in Poland

Since 2002, Saint-Gobain Sekurit HanGlas Polska has supported a foster home for orphans that offers both schooling and healthcare services. To express their thanks, the children sent the company original artwork painted on Saint-Gobain glass. Saint-Gobain Sekurit HanGlas Polska has used the attractive paintings both in house and in external communication with customers, suppliers and public organizations.

Research

Most of our research centers work closely with government research agencies and universities in France and abroad. In 2006, the Saint-Gobain University Network (SUN) was formed with leading universities in France, Germany, the United States, Russia and India. The network was expanded to Japan in 2009.

Since 1995, the Group has sponsored the Saint-Gobain Young Researcher's Award under the aegis of the French Physics Society. In France, the Group has endowed a joint chair at École Polytechnique and École Supérieure de Physique et de Chimie Industrielles (ESPCI). It is currently looking at partnerships with other engineering schools.

In the same spirit of intellectual exchange, the Group continues to support 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 knowledge-sharing in economics.

Lastly, we have fostered relationships with start-ups by investing in venture capital funds since 2006, in line with our commitment to effectively encouraging and supporting innovative projects.

Culture

From April 29 to November 1, 2009, the Group sponsored an exhibit on environmental living for sustainable cities at Palais de Chaillot in Paris as part of a partnership forged in 2008 with Cité de l'Architecture et du Patrimoine. The partnership is perfectly aligned with Saint-Gobain's positioning as a provider of homebuilding solutions.

The Group is also involved in a wide range of local support programs, such as in Spain, where Saint-Gobain Canalización partners the Santander Music Festival.

Sponsoring budding musicians in Brazil

Saint-Gobain Canalização is financing a school music program as part of its commitment to supporting the community near its Barra Mansa plant and to offering social activities for young people. The company has invested more than €30,000 to train young musicians in the Barra Mansa symphonic orchestra. The program targets students in public schools located in disadvantaged neighborhoods. The students are introduced to music through games. They then learn to play an instrument and gradually become professional musicians, ready for the job market. The young people involved in the program have played on numerous occasions in brass bands and at the Rio de Janeiro opera, wining several critics' and people's choice awards. More than 5,000 young people in difficult circumstances have been trained since the program was created in 2003.

Reporting methodology

The data published in this sustainable development report comes from two separate reporting systems:

- The NRE system set up in 2002 to comply with the disclosure requirements of France's NRE Act. Data on employee numbers from a reporting system established several years ago has been included since 2008.
- The Gaia environment, health and safety (EHS) reporting system set up in 2003, which was upgraded in 2008.

Basic reporting principles

Baseline

The baseline for Saint-Gobain social reporting and the Gaia EHS system was developed in line with the requirements of the UN Global Compact and France's NRE Act of 2001.

Social reporting

Stability was a primary consideration in determining social indicators, to provide the most reliable basis for comparison. Consequently, there have been no major modifications to these indicators since they were introduced in 2002, with the only change being the introduction of new indicators (socio-professional category and age) to refine the analyses.

EHS reporting

To keep pace with developments in international standards such as the Global Reporting Initiative and respond to feedback from sites, working groups meet on a regular basis to propose improvements to EHS indicators. These proposals are discussed and approved at steering committee meetings held twice a year.

Scope

Social reporting

In 2009, there were 761 social reporting units, defined based on the Group's business structure so as to cover virtually all consolidated companies.

The merger of the two separate reporting systems used in prior years has improved the reliability of data collection, with a 99% coverage rate for all indicators.New companies joining the Group are included from the date on which they are consolidated, while divested companies are excluded from the figures for the year of divestment.

Employee numbers are reported on a monthly basis, while NRE data—corresponding to the indicators specified in France's NRE Act of 2001—are reported annually.

EHS reporting

There were approximately 1,300 EHS reporting units in 2009, corresponding to all of the Group's facilities. The number increased slightly from 2008, due primarily to the inclusion of Maxit. The scope of reporting covers the facilities operated by all companies that were at least 50%-owned by Saint-Gobain at the balance sheet date, including, where possible, facilities that came on-stream or were acquired during the year and excluding facilities that were closed or sold. Safety data for Maxit, acquired in 2008, were included in the 2009 reporting but were not included in the 2009 consolidated results. This information will be included as from January 2010. Environmental data for Maxit facilities were not included in the 2009 reporting.
The majority of data are entered directly in the Gaia system by the EHS units, and the remaining information is extracted from reporting systems used for other purposes (such as "Teams" for the Insulation Division).

- **The Safety, Industrial Health & Hygiene, General and Safety-On-Line (SOL) questionnaires** are designed to cover all facilities and all Group employees. The Safety and Safety-On-Line questionnaires include questions about temporary staff, and the Safety-On-Line questionnaire also includes questions about sub-contractors.
  Safety data are reported on a monthly basis and comprise information about all accidents that occurred during the month and their severity. The system covers about 95% of employees across the Group.
  Lost-time accidents (including fatal accidents) are reported systematically via the Safety-On-Line system, with a description of the circumstances of the accident. The Industrial Health & Hygiene questionnaire and the General questionnaire are completed annually.
- **The Environment questionnaire** is completed annually by 941 facilities.
  Environmentally sensitive, or "concerned" sites have been identified based on 2007 reporting data, and their performance will be tracked in relation to 2010 environmental targets. Results for concerned sites will therefore be reported on a comparable scope basis in each year through 2010. Any divested facilities will be removed (from current year indicators and the 2007 baseline) but no acquisitions will be taken into account until January 1, 2010, when the scope will be adjusted.
  In addition, environmental indicators will be calculated each year by reference to the 2007 baseline. In line with this principle, 2009 emissions and consumption have been adjusted based on 2007 production output. This choice was made in order to focus efforts on the facilities with the greatest environmental impact, as well as to make the data and progress in meeting objectives easier to understand. The Divisions have validated certain criteria, such as energy consumption, water consumption, and quantity of non-recycled waste, enabling clear identification and monitoring. The 410 concerned sites represent, for example, 95% of the Group's CO_2 emissions (excluding Building Distribution). Data for concerned sites are presented using environmental subgroups. Because of the Group's wide-ranging business operations, the environmental indicators managed in Gaia do not all apply to all businesses. The indicators are therefore combined into "batches" and allocated to groups of units with similar environmental impacts and ratios (i.e., indicators expressed by unit of production, generally per metric ton). The main unit groups—referred to as environmental sub-scopes—are as follows:
  - The "Glass" sub-scope, comprising units in the Innovative Materials Sector—Flat Glass, the Packaging Sector, the reinforcements business (Innovative Materials Sector—High-Performance Materials) and the Insulation Division, excluding rock wool (Construction Products Sector), that use glass furnaces (111 concerned sites out of a total of 118 units).
  - The "Pipe" sub-scope (21 concerned sites corresponding to the 21 units).
  - The "Innovative Materials—High-Performance Materials—Silicon Carbide" sub-scope (8 concerned sites out of 10 units).
  - The "Innovative Materials Sector—High-Performance Materials excluding Silicon Carbide and Glass operations" sub-scope (104 concerned sites out of 200 units).
  - The "Others" sub-scope, covering all other units (industrial mortars, Lapeyre plants, glass products, gypsum, etc.) (166 concerned sites out of 589 units). This sub-scope also includes the 161 quarries.

Questionnaire	Frequency	Scope	Content
Safety-On-Line	When needed	Global, all categories of victims	Instant alert in the event of accidents involving fatalities or lost time
Safety	Monthly	Global, all categories of victims	Accidents, number of days lost, hours worked, etc.
General	Annually	Global (all facilities except certain offices or related sites)	Certification, audit results, etc.
Complaints and financial data	Annually	"Concerned" sites + Sites requiring an operating permit + Other sites at the Sectors' discretion	Complaints and financial data in compliance with the NRE Act
Health	Annually	Global (all facilities except certain offices or related sites)	Assessment campaign, health standards tracking, etc.
Environment	Annually	"Concerned" sites + Sites requiring an operating permit + Mines and quarries (excluding sites connected to plants) Other sites at the Sectors' discretion	Output, raw materials, energy consumption, atmospheric emissions, water, waste
Mines and quarries	Annually	Mines and quarries	Rehabilitation plan, etc.

One of the principles applied by the Group for the calculation of ratios is to use tons of finished product complying with quality standards ("tons of finished products"), rather than tons floated (for glass) or cast (for cast iron).

EHS financial data (expenses and capital expenditure) have been tracked in Gaia since 2007. Annual data are adjusted during the following year to take into account information obtained after the year-end.

The frequency, scope and content of the various questionnaires are described in the previous table.

Indicator definitions

The indicators are defined in detailed glossaries that have been prepared in several languages to ensure that all contributors understand what is required.

Social reporting

The social reporting glossary is available in French, English, German, Spanish, Russian, Chinese and Polish, and is distributed by the Delegations.

EHS reporting

The EHS reporting glossary is available in its entirety in French and English, and translations of the main terms are also available in German and Portuguese. Certain Delegations have also prepared supplementary handbooks.

Consolidated data

Social reporting

Saint-Gobain's social reporting process comprises three stages:

- Data input by contributors at the individual company level.
- Data validation by the head of Human Resources at the company or Delegation level, depending on the country.
- Data verification and consolidation by the Group Employee Relations Department.

EHS reporting

The EHS reporting process (monthly and yearly) involves four stages:

- Data input by the EHS correspondent or correspondents at the reporting unit concerned.
- Data validation, usually by the unit manager or by the company or Divisional coordinator.
- Data verification by EHS managers in each Sector.
- Data consolidation by the Group EHS Department.

Difficulties and limitations

Social reporting

The main difficulty in social reporting stems from the Group's wide geographic presence. Indicators may be interpreted differently from one country to another, due to differences in local legislation and practices. For example, certain employee categories commonly used in France, such as «cadre» (roughly translatable as "manager") and «CDI" (employee with a permanent employment contract) may not have any direct equivalent in other countries. The Doctrine Department is working on commonly understood definitions to avoid this problem.

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. The definition of "waste" for example, can vary depending on local legislation. The same applies to its components (production waste, by-product, final waste, etc.). Since Groupwide reporting systems were launched, reporting quality has steadily improved thanks to effective feedback and increased familiarity with the systems. The new version of Gaia will allow the Group to deploy modules for the daily tracking of environmental data, in alignment with monitoring practices at the operational level. This will enable more frequent reporting of EHS data according to operational needs, so that data controls can be performed at shorter intervals.

Due to the recession, Saint-Gobain experienced a significant slowdown in business in 2009. This explains to a large extent the sharp decline in consumption (water, energy and raw materials for glass furnaces) and emissions (CO_2, NO_X and SO_2). These gross volumes are considerably smaller than those reported by Saint-Gobain, in 2008 (see Social and EHS Indicators table), masking the impact of action taken by the Group to limit its environmental footprint.

The glass plants operated at lower capacity, which meant that they used more internally-generated cullet than in previous years.

NO_X and dust emissions declined in indicators expressed in specific values, such as emissions per ton of finished product, primarily because of a number of furnaces were banked (often those with the lowest environmental performance). The installation of electrostatic precipitators also helped decrease dust.

Specific value measurements of SO_X emissions were stable, as were CO_2 emissions based on 2007 output because banked or idled furnaces still consume energy, which leads to CO_2 and SO_X emissions (from impurities in fossil fuels) per ton of finished product. Plants are less efficient during a slowdown than in stabilized mode since they use raw materials and energy for less finished product. The same phenomenon was apparent in the data on water consumption based on 2007 output, albeit to a lesser extent. Although down slightly, this indicator does not fully reflect Saint-Gobain's efforts to reduce water consumption.

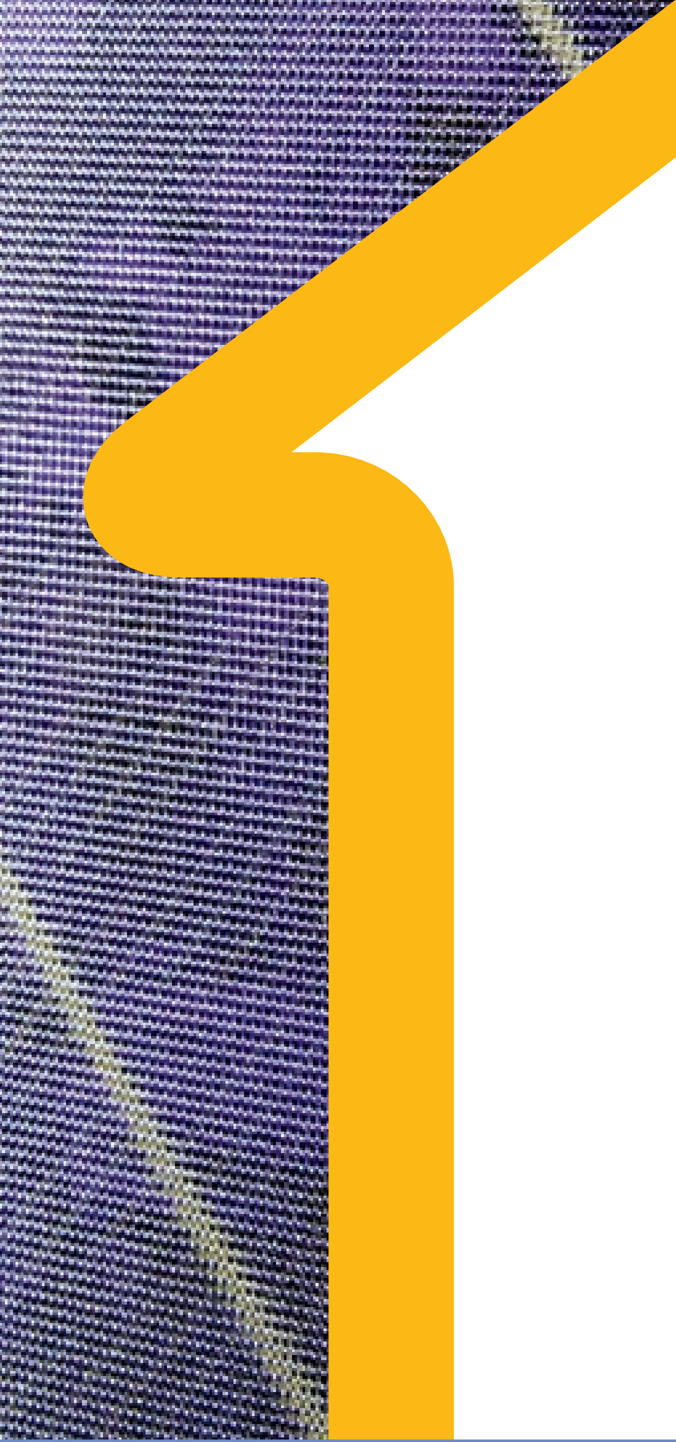
Social and EHS Indicators

Social indicators	2008	2009	Pages
Number of millionaire sites (sites that have clocked up over one million incident-free hours of work and/or more than five years' work without any lost-time incidents)	107	142	44
Lost-time incident rate (LTIR) (more than 24 hours' lost time)—Group	4.8	3.8	42
Severity rate—Group	0.22	0.21	42
Lost-time incident rate (LTIR) (more than 24 hours' lost time)—Building Distribution Sector	8.7	6.9	42
Total recordable incident rate (TRIR)—Industrial Sectors	11.0	8.2	42
Number of workplace fatalities—Saint-Gobain employees	8	3	43
Number of Health & Safety-certified sites—comparable scope	197	252	40
Total headcount	209,175 employees	191,442 employees	66
Departure rate	18.3%	17.8%	66
Resignation rate	7.1%	4.5%	66
Termination rate	5.8%	8.6%	66
Recruitment rate	16.0%	9.2%	67
Percentage of temporary workers	6.5%	7.2%	67
Percentage of fixed-term employment contracts	4.0%	3.4%	67
Percentage of fixed-term employment contracts transformed into permanent contracts	48.5%	31.2%	67
Training expenditure as a percentage of total payroll	2.5%	2.0%	59
Percentage of employees who took at least one training course during the year	66%	69%	59
Number of training hours per employee	24	22	59
Percentage of training hours dedicated to technical training and EHS	Technical training: 49% EHS training: 25%	Technical training: 51% EHS training: 24%	61
Percentage of female employees	20.1%	20.1%	62
Percentage of white-collar workers among female employees	75.3%	76.7%	62
Female managers as a % of total managers	15.9%	16.4%	62
Percentage of disabled employees in France	3.6%	4.0%	63
Percentage of employees with employee representation	63.4%	64.0%	64
Number of agreements signed with employee representatives	1,479	1,579	64
Percentage of employees covered by a collective bargaining agreement (and percentage for France)	62.7% France: 99.4%	63.7% France: 99.7%	64
Percentage of employees in France covered by the discretionary profit-sharing scheme	96.1% (€63.6 million)	99.0% €57.5 million)	65
Percentage of shares held by Group employees	7.8%	7.6%	65
Number of countries covered by the Group Savings Plan	40	42	65
Sickness absence rate	4.0%	3.7%	68
Percentage of employees performing shift work	31.7%	32.6%	68
Overtime rate	4.1%	3.9%	68
Percentage of part-time employees	3.2%	3.3%	68
Percentage of executives and managers	12.3%	13.1%	68
Percentage of administrative employees, engineers and supervisors	40.5%	41.3%	68
Percentage of blue-collar workers	47.3%	45.5%	68
Percentage of managers who had a performance review	76.5%	79%	58
Percentage of employees in France taken on under a youth employment scheme	2.2%	2.5%	57

Development of local communities indicator	2008	2009	Pages
Group community development spending	Nearly €3 million	€4 million	72
Number of jobs created outside the Group in France with the support of Saint-Gobain Développement	482 jobs (through 127 SME support agreements representing over €1m)	453 jobs (through 33 SME support agreements representing €1.1m)	73

Environmental indicators	2008	2009	Pages
Number of quality-certified sites—comparable scope	678	723	40
Percentage of concerned sites that are environmentally-certified	46%	55%	40
Number of Seveso-classified sites	6	6	146
Total environmental expenditure	€94.6m	€123.05m	40
Salaries and other payroll expenses for environmental officers	€22.0m	€21.5m	40
ISO 14001 and EMAS environmental certification and renewal costs	€1.7m	€1.9m	40
Environmental taxes	€4.8m	€7.1m	40
Insurance and warranties	€4.5m	€4.85m	40
Environmental fines	€0.3m	€0.35m	41
Cost of environmental incidents	€2m	€0.45m	41
Cost of technical measures	€6.1m	€9.0m	40
Environmental R&D budget	€41.5m	€64.2m	40
Soil decontamination, site remediation and other clean-up costs	€11.6m*	€13.7m	40
Capital expenditure on environmental protection measures	€90.5m*	€47.4m	41
Provisions for environmental risks	€158m	€167m	41
Quantity of production waste—concerned sites (based on 2007 production output)	3.6mt**	3.7mt**	50
Consumption of primary raw materials in glass furnaces—concerned sites	13.1mt	10.9mt	51
Consumption of cullet in glass furnaces—concerned sites	2.8 mt internally sourced; 4.4 mt externally sourced	2.9 mt internally sourced 4.2 mt externally sourced	51
Percentage of cullet in each ton of finished product of glass wool produced—concerned sites	18.9% internally sourced; 40.9% externally sourced	24.3% internally sourced; 42.4% externally sourced	51
Percentage of cullet in each ton of finished product of container glass produced—concerned sites	17% internally sourced; 40% externally sourced	16.8% internally sourced; 43.5% externally sourced	51
Percentage of cullet in each ton of finished product of flat glass produced—concerned sites	23.5% internally sourced; 11.5% externally sourced	31.8% internally sourced; 7.3% externally sourced	51
Percentage of tons of finished products from primary melt—concerned sites	71.9%	75.8%	51
Percentage of recycled materials in each ton of finished product of cast-iron produced—concerned sites	47.8%	37.0%	51
Percentage of recycled materials in each ton of finished product of gypsum—concerned sites	25.5%	24.3%	52
Percentage of waste generated by the processing of recycled stack gas in Saint-Gobain Glass furnaces—concerned sites	60.9%	58.2%	52
CO_2 emissions, based on 2007 production output—concerned sites	13.5 mt**	13.5 mt**	49
CO_2 emissions—Group, based on a comparable scope	14.7 mt	12.9 mt	49
Number of facilities concerned by the EU greenhouse gas emission allowance trading scheme	83	86	49
CO_2 emissions concerned by greenhouse gas emission allowances	6.5 mt, i.e. less than 0.3% of allocated allowances	5.6 mt (excl. Maxit), i.e. less than 0.3% of allocated allowances (5.7 mt including Maxit)	49
Energy use—concerned sites	61.6 TWh	53.5 TWh	49
SO_2 emissions per ton of finished product of glass produced—concerned sites	2.47 kg	2.42 kg	52
SO_2 emissions per ton of finished product of cast-iron produced—concerned sites	1.01 kg	1.4 kg	52
SO_2 emissions by the Pipe Division and the glass businesses—concerned sites	38,007t	33,954t	52
NO_x emissions per ton of finished product of glass produced—concerned sites	2.62 kg	2.32 kg	52
NO_x emissions per ton of finished product of cast iron produced—concerned sites	1.31 kg	1.32 kg	52
NO_x emissions—concerned Pipe and glass sites	40,814 t	32,436 t	52
Particulate emissions per ton of finished product of glass produced—concerned sites	0.36 kg	0.27 kg	53
Captured particulate emissions per ton of finished product of cast-iron produced—concerned sites	1.04 kg	1.07 kg	53
Water withdrawals, based on 2007 production output—concerned sites	93.8** million cu.m.	89.8** million cu.m.	56
Water withdrawals—Group, based on a comparable scope	101.2 million cu.m.	81.3 million cu.m.	56

**Data presented in the 2008 report has been corrected: expenses were re-classified as investments at one site and the amount of an investment was reduced at another site.*
***The calculation method has been refined since last year's report and takes into to account each Division's output separately. For the Gypsum Division, the base value is 2008 (more reliable than 2007, the first year of reporting).*



2009 MANAGEMENT REPORT

RESULTS DAMPENED
BY AN UNPRECEDENTED ECONOMIC AND FINANCIAL CRISIS

Markets and economic environment

2009 saw the worst recession in post-war history. Nearly all of the world's economies were hit, leading to an unprecedented 13.5% drop in global trade, a very steep 15% fall in industrial output between the spring 2008 high and the early 2009 low, and a 1% contraction of global GDP.
Concerted international action and swift economic policy responses helped to ward off a credit crunch that would have paralyzed world trade. However, the economic stimulus programs and massive injections of liquidity weighed heavily on public finances, causing deficits to deepen by nearly 10 points of GDP in the United States and 6 points in the euro zone.

Emerging markets in Asia were dragged into the global turmoil, but were the first to return to growth in the second quarter of 2009, followed by Brazil in the summer.
By rapidly stimulating domestic demand through expansionist monetary and budgetary policies, these countries more than offset the impact of falling exports on their economies.

Developed countries experienced a modest upturn in economic activity during the second half of the year, but growth remains sluggish.

- In the United States, rising unemployment and high levels of household debt encouraged consumers to tighten their purse strings and rebuild their savings. At the same time, the other potential drivers of economic growth were slow to have an effect, with companies remaining cautious about building up inventories and the housing sector staging a very hesitant recovery, while government stimulus plans are only now starting to have an impact.
- In the euro zone, consumer spending was also hit by high jobless rates. Export-led economies such as Germany and Italy experienced a deep recession in 2009 but rebounded quickly in the third quarter, as world trade picked up. In France, while automatic stabilizers softened the decline in GDP, they also held back the economic recovery in the second half. Spain tried to cushion the fall in GDP but the country remained mired in recession at the start of 2010.
- The United Kingdom experienced a similar fate until the third quarter and manufacturing industry suffered badly throughout the year. Although the weak pound made UK exports cheaper and the government introduced a number of measures to prop up consumer spending, the economy remained stubbornly in recession. There were tentative signs of a recovery in the fourth quarter, however, and 2010 should see a return to growth.
- Japan enjoyed a modest rebound in the spring, but the yen's sharp rise against the dollar and growing public debt prevented a fully-fledged recovery.
- In Eastern Europe, Poland was the only major country to stay out of recession. Nearly all of the region's other economies fell into a downward spiral as external funding dried up and although the situation started to improve in the second half, a complete recovery is still some way off.

The building industry, which was one of the first victims of the global economic crisis, began to pick up in many regions.

In the most vibrant emerging markets such as China, the property market rebound, stimulated by major support programs, was one of the driving forces behind the spectacular resurgence in economic activity.
In the developed countries, the building market recovery was slower, with several false starts. There was little or no credit-led growth, due to the application of stricter acceptance criteria by the banks and hesitation on the part of consumers.

- In the United States, unit sales of old housing stock grew steadily month by month, accompanied by rising prices, but the newbuild market remained persistently flat. By the end of 2009, building permit approvals and housing starts had stopped growing, evidence of the precarious nature of the uptrend observed in the first half. The non-residential market was also hit by the prevailing economic gloom.
- In Europe, the newbuild market bottomed out in several countries.
  - In France, after going into freefall in the first half of last year, the construction market has been sending out more positive signals since the fall. In the housing market, sales of both old and new homes have picked up and prices have stopped falling. The decline in building permit approvals slowed to an annualized 9.6% in the three months to November 30, 2009 from 17.9% for the 12-month period ended at that date. However, the incipient recovery was not yet evident in the year-end construction and building materials price indices.
  - In the United Kingdom, the housing market crisis bottomed out at the end of 2008 and a recovery now seems to be on the way. Since early 2009, the decline in new lending has eased slightly and there has been a return to growth in housing starts, along with an upturn in prices.
  - In Germany, building permit approvals for all types of building have increased steadily since hitting a low point in late 2008-early 2009.
  - In Spain, where even open-market construction starts remained in freefall during 2009, activity levels and the business climate in the building industry are showing very tentative signs of improvement.

In all of the above countries, determined efforts were made in 2009 to improve the energy efficiency of existing buildings by introducing a wide array of regulatory measures and government incentives. Most of these measures will be fully deployed in 2010, with rising oil prices acting as an additional incentive. The target markets are very large.

In the automotive market, after the very pessimistic forecasts made in late 2008 concerning the outlook for the global industry, the incentive schemes introduced last year in many countries helped to limit the decline in sales and—in some cases—support continued market growth.

In **emerging markets**, demand continued to grow rapidly, led by a wide range of tax incentives. **China** became the world's largest automotive market with 13.6 million vehicles sold, while **India** confirmed its ambitions and registrations in **Brazil** grew at a healthy rate of nearly 10%.

However, these performances only partly offset lower volumes in other regions. **Eastern Europe** was affected by the collapse of the **Russian** market and registrations in all of the region's markets were down on 2008.

The mature markets of **Western Europe**, **United States** and **Japan** all experienced a net decline in registrations, despite measures to prop up demand. Together, these countries account for 50% of the world market. In **Western Europe**, the downturn was limited to 3.6%, thanks to scrappage schemes which lifted registrations to a record high in **Germany** and also in **France**. Across the Atlantic, registrations in the **United States** plummeted by around 20% despite a good end to the year. The world's other major automotive market, **Japan**, experienced a 10% fall in registrations for the year, bringing the total erosion of the domestic market to 20% over the last four years.
Notwithstanding this downtrend, the automotive market's center of gravity is continuing to shift towards Asia and all emerging markets—in Asia and on other continents—should continue to grow or return to growth in the near term.

Responding to this environment, in 2009 the Group energetically stepped up all the corrective action plans launched since the crisis began. Pricing initiatives were undertaken in all businesses, while holding firm to the objective of maintaining a positive differential between changes in selling prices and in raw material and energy prices. Implementation of cost-cutting plans was accelerated and the target of €1.5 billion in savings in 2008 and 2009 was met. In 2009 alone, costs were reduced by €1.1 billion compared with an initial target of €600 million, by aligning production capacity with demand. As these results show, the action plan announced in 2008 was executed in full, delivering bigger and faster savings than originally planned.

Alongside these cost savings, the Group kept up its disciplined cash management processes. Last year's 41.9% reduction in capital expenditure ensured that free cash flow was kept at over €1 billion, while operating working capital requirement was cut by a further €1,393 million. The combined effects of these measures and the postponement of acquisition projects helped to strengthen the balance sheet by paving the way for a sharp reduction in net debt to 53% of equity from 80% at the end of 2008.

These energetic measures led to a 38% increase in operating income and a 94% surge in recurring net income in the second half of the year compared with the first half.

Operating performance

Against the backdrop of an unprecedented economic and financial crisis affecting virtually all sectors and countries across the globe, trading for the Group was sluggish throughout 2009 in most of it businesses and geographic areas. However, there was a relative improvement over the second half of the year compared with the first half, in terms of both like-for-like growth and profitability. Gains in profitability were chiefly attributable to the cost cutting program implemented since the start of the crisis. The Group therefore considers that business bottomed out overall in 2009. Nevertheless, the global economic climate remained very challenging in the second half of the year. Only Asian and Latin American countries saw a significant pick-up in trading between the first and second half of the year and have now put the crisis behind them. While trading in both Western and Eastern Europe along with North America seems to have stabilized overall at a low level (particularly in Construction), certain industries such as the automotive sector saw an improvement in the second half of the year. Household consumption, in turn, remained relatively less affected by the downturn in the economic climate in 2009.
The Group as a whole reported a 13.2% decline in like-for-like sales for 2009 (15.5% in the first half and 10.8% in the second). This decline was due to a sharp 14.0% fall in sales volumes over the year (17.2% in the first half and 10.6% in the second). Sales prices, in contrast, held firm over the year (up 0.8%), although they slipped 0.2% in the second half after a rise of 1.7% in the six months to June 30, due mainly to a strong performance in the comparative period.

Operating income contracted by 39.3% to €2,216 million for the year, representing 5.9% of sales. However, second half operating income was up 38% on the first half, driving a strong increase in operating margin to 6.7%. The effects of lower unit sales were partly offset by the impact of the action plan launched when the crisis began:

- The highest priority was given to sales prices. In a year of sharply lower volumes, deflation and declining raw materials costs, average sales prices across all businesses rose 0.8% compared with 2008. Although the price advance narrowed as the months went by, the margin on purchases widened throughout the year, reflecting rising sales prices and declining raw materials costs.
- Cost-cutting programs were pursued and extended across all businesses, unlocking an additional €1.1 billion in savings compared with 2008. In all, over the two years 2008 and 2009, the cost base was reduced by €1.5 billion (€1.9 billion on a full year basis). Reductions were achieved in all cost centers.

Purchasing costs were brought down through ongoing programs to centralize purchases and through increased efforts to source products from low-cost countries. Overheads were cut thanks to the Symphonie project launched in 2007 to create unified support functions (such as IT, finance and human resources management) at the level of each country. Operational cost savings were achieved by mothballing excess production capacity and also on a more lasting basis by deploying the World Class Manufacturing (WCM) program at more than half of our plants, as well as by renegotiating Building Distribution leases and closing the least profitable outlets.

In addition to these measures which fed through directly to net income, we also maintained tight control over cash:

- Capital expenditure was scaled back by a significant €900 million or 42% compared with 2008. Priority was given to completing projects in emerging markets other than Eastern Europe, with the result that the axe fell mainly in developed countries.
- Operating working capital requirement was reduced by €1.4 billion or the equivalent of seven days' sales, reflecting a reduction in inventories and faster customer payments.
- Acquisitions were cut to €204 million and corresponded for the most part to the completion of projects initiated in 2008 in emerging markets and the solar segment.

These measures and the rights issue carried out during the year helped to strengthen the balance sheet. Debt was paid down by €3.1 billion, leading to a 27-point reduction in the gearing ratio to 53% from 80% at end-2008.

Operating results by Sector

- **Imovative Materials** was the hardest hit by the crisis in the first half but also staged the strongest recovery in the second. Like-for-like sales contracted by 17.4% over the year, reflecting declines in nearly all markets, particularly High-Performance Materials' industrial markets and Flat Glass's building glass markets in developed countries. Although operating margin fell to 4.7% for the year from 13% in 2008, average margin for the second half was higher, at 6.7%.
- **Flat Glass** sales retreated across all businesses. The decrease was smaller, however, for building glass sales outside Europe, with the first-half contraction giving way to a recovery in the second half. In Europe, inventory drawdowns by customers adversely affected first-half performance but the second half saw an improvement, particularly compared with the year earlier period when sales were already sharply down. Operating margin came to 6%, reflecting the impact of the cost-cutting program and lower raw materials and energy prices.
- **High-Performance Materials** also experienced severely depressed trading conditions in the first half, due to collapsing industrial and automotive markets and widespread inventory drawdowns. The situation improved significantly in the second half, with Plastics and Abrasives sales lifted by the recovery in the European automotive market and by renewed momentum in emerging markets. Like-for-like sales fell by a steep 21% over the year, but the decline slowed to 17.2% in the second half. Although operating margin was severely eroded by lower unit sales in nearly all businesses, the average margin rate rose to nearly 8% in the second half, coming in at 7.8% thanks to firm sales prices.
- **Construction Products** sales fell by 14.4% over the year, excluding the currency effect. On a comparable consolidation scope basis, sales were down in all regions except for Latin America; however, the shortfall narrowed in the second half, helped by a low basis of comparison in the year-earlier period. Vigorous policies to maintain prices combined with tighter control over costs helped to drive up operating margin to 9.5% from 8.9% in 2008.
- **Interior Solutions** sales contracted by 17.2% like-for-like, reflecting lackluster demand throughout the year. The downtrend eased in Western Europe in the second half, but volumes remained depressed in Eastern Europe and the United States, while sales in Latin America held firm at 2008 levels. Prices came under pressure in most countries due to rampant competition. Operating margin weakened compared with 2008, primarily due to the fall in unit sales, although second half margin improved to 6.9% from 6.7% in the first.

- **Exterior Solutions** sales retreated by a more modest 8.5%, with contrasting performances by the individual businesses. Unit sales in the United States fell sharply, but sales prices remained high and purchase cost trends were favorable, particularly for roofing products, although the price advance narrowed in the latter part of the year. Mortar sales stabilized at a low level in Europe but grew strongly in emerging markets, helped by a favorable price dynamic. Pipe sales were sluggish during the year, but the margins on purchases widened in every region except China, where competitive pressure drove down sales prices. Sustained by higher prices and restructuring measures, Exterior Solutions operating margin rose to 11.8% from 8.1% in 2008.
- Narrower European construction markets and the limited availability of home finance continued to weigh on **Building Distribution** sales, which fell by 12.2% based on actual selling days, excluding the currency effect and changes in the scope of consolidation. Reflecting the restrictions on new investment, the contribution of bolt-on acquisitions during the year was not material. Second-half sales performance benefited from a slightly lower 2008 basis of comparison and although the period-on-period change remained slightly negative in absolute terms, the downtrend slowed compared with the first half. While sales in the Netherlands, Eastern Europe and the United States continued to decline, the trend bottomed out in other countries and both Germany and Scandinavia delivered resilient performances. The Sector's operating income was sharply down on 2008; however, right-sizing measures and programs to reduce overheads drove an improvement in the second half.
- The **Packaging** Sector held up very well during the crisis, with sales and operating income virtually unchanged from the previous year's high. Like-for-like sales were nevertheless down 3.8%, with the strong price dynamic only partly offsetting the impact of slightly lower unit sales in Europe. In the United States and Latin America, sales increased at constant exchange rates despite lower volumes and a high basis of comparison. The Sector's operating margin continued to improve, coming in at 12.7% versus 12.5% in 2008.

Operating results by geographic area

All of the Group's operating regions were hit by the economic crisis in 2009. The situation nevertheless improved in the second half, led by recoveries in certain industrial markets. The decline in like-for-like sales eased and operating margins increased significantly, particularly in Asia and emerging markets as well as in the "Other Western European Countries" region.

- In **France**, the rate of decline slowed to 11.0% in the second half from 13.5% in the first and operating margin improved slightly. Depressed construction and industrial markets nevertheless continued to weigh on margins, despite an upturn in automotive production and in other industrial segments in the latter part of the year.
- In the "**Other Western European Countries**" region, sales contracted by 11.4% like-for-like in the second half, representing significantly less than the 19.5% fall recorded in the period to the end of June. Second-half sales increased in Germany (particularly in industrial markets) and Scandinavia, while the basis of comparison in the United Kingdom and Spain was lower than in the first six months. This improvement, combined with the cost savings realized in the latter part of the year, lifted operating margin to 5.6% of sales in the second half from 3.2% in the first.
- In **North America**, like-for-like sales fell by 14.5% over the year, reflecting the relentless decline in the construction markets combined, in the first half, with a collapse in industrial markets. The downtrend eased slightly in the second half, with sales retreating by 14.0% versus 15.1% in the first six months. Restructuring programs drove a sharp improvement in operating margin, to 8.9% from 5.1% in 2008.
- Volumes in **emerging markets and Asia** rebounded by 12.9% in the second half, led by economic recoveries in Latin America and Asia, which offset the continued depressed conditions in Eastern Europe. As a result, the falloff in sales slowed to 9.3% in the second half from 13.5% in the first, and operating margin nearly doubled to 8.5% from 4.5%.

Consolidated results

Consolidated sales for the year came to €37,786 million, down 13.2% like-for-like on the year earlier period. Changes in scope of consolidation had a positive impact of 0.9%, while the currency effect was a negative 1.4%. The effect of the 14% fall in unit sales was softened slightly by the 0.8% positive price effect. The shortfall compared with 2008 narrowed in the second half, reflecting improved performances by certain Sectors. In particular, the first half saw an end to inventory drawdowns by customers of the Innovative Materials Sector, along with a modest improvement in some of the Sector's industrial markets. However, Construction Products and Building Distribution unit sales remained low.

Operating income contracted by 39.3% to €2,216 million for the year. The Group's operating margin came in at 5.9% of sales (8.4% excluding Building Distribution), versus 8.3% (11% excluding Building Distribution) in 2008. The unfavorable impact of lower unit sales over the year was partly offset by wider margins on purchases, as well as by the savings generated by organizational and capacity realignment measures and cost-cutting programs. Despite retreating over the full year, operating income gained 38% in the second half compared with the first and operating margin advanced by 1.7 points to 6.7% from 5%.

EBITDA contracted by 27.7% in absolute terms and narrowed to 9.9% of sales from 11.9% in 2008. Thanks to the cost-cutting program, however, second-half EBITDA margin was nearly back to the year-earlier level at 10.7% versus 11.1%.

Non-operating income and expenses represented a net expense of €596 million in 2009, compared with a net expense of €310 million the previous year before the €400 million provision for Flat Glass fines. The 2009 figure reflects faster implementation of restructuring and realignment programs, representing costs of €435 million versus €190 million in 2008. Provisions set aside by CertainTeed in the United States for asbestos litigation amounted to €75 million, the same amount as in 2008.

The net balance of **capital gains and losses on disposals and exceptional asset write-downs** was a negative €380 million. Of the total, €348 million concerned asset write-downs, including a €215 million impairment loss recognized on Gypsum Division (formerly British Plaster Board) goodwill in the United States and various asset write-downs arising from restructuring plans implemented during the year.

Business income dropped 55.9% after deducting net non-operating expense, capital gains/losses on disposals and exceptional asset write-downs.

Net financial expense rose to €805 million in 2009 from €750 million the previous year, mainly due to a €105 million increase in the interest cost on pension and other post-employment benefit obligations. The cost of net debt was 12% lower than in 2008, while the average cost was unchanged at 5.5%.

Excluding capital gains and losses, exceptional asset write-downs and material non-recurring provision charges, **recurring net income** amounted to €617 million, a decrease of 67.8% on 2008. Based on the number of shares outstanding at December 31, 2009 (512,931,016 shares versus 382,571,985 at December 31, 2008), recurring earnings per share came to €1.20, down 76.0% from €5.00 in 2008. Second-half recurring net income was nearly double the first-half amount, reflecting the strong improvement in the Group's operating performance in a persistently difficult economic environment.

Net income attributable to equity holders of the parent came in at €202 million, a fall of 85.3% compared with 2008. Based on the number of shares outstanding at December 31, 2009 (512,931,016 shares versus 382,571,985 at December 31, 2008), earnings per share retreated by 89.2% to €0.39 from €3.60 in 2008.

Capital expenditure was scaled back by 41.9% in the year to €1,249 million from €2,149 million in 2008, representing 3.3% of sales versus 4.9%. The bulk of spending (55%) was directed towards markets linked to energy efficiency (Flat Glass—including solar solutions—and Construction Products) and selected projects in emerging markets (such as the new float line in Egypt and the new plasterboard plant in Abu Dhabi).

Cash flow from operations contracted by 35% to €2,303 million. Before the tax impact of capital gains and losses and asset write-downs, cash flow from operations amounted to €2,268 million versus €3,487 million in 2008.

Free cash flow (cash flow from operations less capital expenditure) declined 23.3% to €1,054 million. Excluding the tax impact of capital gains and losses and asset write-downs, free cash flow was down 24% at €1,019 million, representing 2.7% of sales. In the second half alone, free cash flow reached a five-year high of €489 million, reflecting the priority given to managing cash flow from operations during 2009.

The excess of EBITDA over capital expenditure narrowed by 18% to €2,481 million in 2009 from €3,011 million in 2008, representing 6.6% of sales versus 6.9%. This indicator improved considerably in the second half, rising 12% over the first half and an even more significant 15% over the second half of 2008, reflecting the strong upturn in cash generation by the Group.

After six years of steady improvement, 2009 saw another sharp fall in operating working capital requirement to the equivalent of 31 days' sales from 38 days at December 31, 2008, representing a cash saving of nearly €1.4 billion. The decrease was attributable to a steep reduction in inventories and faster customer payments.

Financial investments were cut by 91.3% to €204 million and corresponded for the most part to the completion of projects initiated in 2008 in emerging markets and the solar segment.

Net debt amounted to €8.6 billion at December 31, 2009 versus €11.7 billion at the previous year-end. The €3.1 billion (26.8%) reduction was attributable to the March 23, 2009 rights issue for €1,512 million and also to sustained action to bring down the Group's working capital requirement. The gearing ratio was 53% at December 31, 2009, versus 80% at end-2008.

Update on asbestos claims in the United States

About 4,000 new claims were filed against CertainTeed in 2009, compared with around 5,000 in 2008, and approximately 8,000 of the pending claims were resolved in 2009, roughly the same number as were resolved in 2008, reducing the number of outstanding claims to 64,000 at December 31, 2009 from 68,000 at the end of 2008.

Compensation paid in respect of these claims against CertainTeed amounted to USD 77 million in 2009 compared with USD 71 million in 2008.

In light of these developments, an additional provision of €75 million was recorded in 2009 (identical, in euros, to the amount set aside in 2008), putting the coverage of CertainTeed's asbestos-related claims at around USD 500 million at December 31, 2009 versus USD 502 million at end-2008.

Subsequent events

No significant events occurred between December 31, 2009 and the date of this report.

Capital Expenditure and Financial Investments

Capital expenditure (excluding finance leases)

(in € millions)	2009	2008	2007
By Sector and Division			
Innovative Materials—Flat Glass	326	576	523
Innovative Materials—High-Performance Materials	130	223	238
Construction Products	364	758	830
. Interior Solutions	199	528	621
. Exterior Solutions	165	230	209
Building Distribution	155	291	353
Packaging	259	283	309
Other	**15**	**18**	**20**
GROUP TOTAL	**1,249**	**2,149**	**2,273**

(in € millions)	2009	2008	2007
By geographical segment			
France	254	554	536
Other Western European countries	414	682	698
North America	167	220	368
Emerging markets and Asia	414	693	671
GROUP TOTAL	**1,249**	**2,149**	**2,273**

Financial investments

(in € millions)	Investment	Estimated full-year net sales
2009 acquisitions		
Innovative Materials—Flat Glass	35	15
Innovative Materials—High-Performance Materials	2	2
Construction Products	121	110
Building Distribution	44	71
Packaging	1	1
Holding companies	1	0
TOTAL ACQUISITIONS	**204**	**199**
of which in emerging markets	*70*	
2008 acquisitions		
Innovative Materials—Flat Glass	23	17
Innovative Materials—High-Performance Materials	47	25
Construction Products	1,591	1,322
of which Maxit	*1,528*	*1,237*
Building Distribution	635	1 111
Packaging	62	63
Holding companies	0	0
TOTAL ACQUISITIONS	**2,358**	**2,538**
of which in emerging markets	*229*	

DIVIDENDS

Year	Number of shares with dividend rights	Net dividend per share*** (in €)	Adjusted*** net dividend per share (in €)	Adjusted yield based on year-end share price
2007	374,015,721 shares[a]*	2.05	1.862	3.18%
2008	486,008,778 shares[b]*	1.00	1.00	3.28%
2009	508,665,467 shares[c]**	1.00	1.00	2.63%

Dividends not claimed within five years are time-barred and are paid over to the State.

** The number of shares with dividend rights is determined after deducting shares held in treasury on the dividend payment date.*
*** Estimated at January 31, 2010.*
****In accordance with IAS 33, per share data for periods prior to the February 2009 rights issue have been adjusted using the coefficient published by NYSE Euronext Paris.*

(a) Based on 374,216,152 shares (capital stock at December 31, 2007) plus 4,199,902 shares with rights to the 2007 dividend issued on May 15, 2008 to participants in the leveraged PEG Group Savings Plan less 4,400,333 treasury shares held on the dividend payment date, for a net total of 374,015,721 shares.
(b) Based on 382,571,985 shares (capital stock at December 31, 2008) plus 108,017,212 shares issued on March 23, 2009 less 4,580,419 treasury shares held on the dividend payment date, for a net total of 486,008,778 shares.
(c) Based on 512,931,016 shares outstanding (capital stock at December 31, 2009) less 4,265,549 shares held in treasury at January 31, 2010.

At its meeting on February 25, 2010, the Board of Directors decided to recommend to the Annual General Meeting on June 3, 2010, that the 2009 dividend should be set at €1 and that shareholders should be given the option of receiving their dividends in cash or in stock.

RESULTS BY SECTOR

Innovative Materials

Key Figures

(in € millions)	2009	2008	2007	2006
Net sales[a]	7,792	9,677	10,334	9,998
Operating income	370	1,244	1,302	980
Cash flow from operations	385	1,170	1,163	961
EBITDA	843	1,737	1,865	1,549
Capital expenditure[1]	456	799	761	673

Innovative Materials sales contracted by 17.4% like-for-like over the year. The Sector's operating margin fell to 4.7% for the year from 13% in 2008, but widened to an average of 6.7% in the second half.

Innovative Materials—Flat Glass

Contribution to the Group	2009	2008	2007	2006
% of net sales	12%	13%	13%	12%
% of operating income	7%	19%	17%	13%
% of cash flow from operations	7%	21%	18%	16%

Key Figures

(in € millions)	2009	2008	2007	2006
Net sales[b]	4,572	5,549	5,611	5,083
Operating income	155	701	717	480
Cash flow from operations	170	733	677	529
EBITDA	444	1,016	1,064	802
Capital expenditure[1]	326	576	523	448

(1) Excluding finance leases.
(a) Sales data by Sector include inter-sector sales.
(b) Sales data by Division include inter-division sales.

2009 business review

Flat Glass sales in 2009 totaled €4.6 billion, down by a steep 17.6% on a reported basis from 2008. The like-for-like decline was 14.9%.

The solar business had a very difficult start to the year, due to the collapse of the Spanish market following changes in government regulations and also as a result of the financial crisis. However, the second half saw a marked improvement. The Flat Glass Division significantly widened its business base in this segment, with the second-half inauguration of a plant to manufacture Avancis photovoltaic module, construction of a plant in Portugal to manufacture parabolic cylindrical mirrors for solar concentrators and downstream integration with the Solar Systems business which offers customers complete photovoltaic solutions.

Sales of commodity products (float glass) retreated by 19.1% like-for-like in 2009. In Europe, sales plunged 33.8% in value during the first six months before stabilizing in the summer, resulting in a 26.2% decline over the whole year. Prices of float glass fell in the first half, continuing a trend that began in the latter part of 2008; however, they rebounded in June and then climbed steadily over the rest of the year. Unit sales and prices of value-added products held up better, particularly coated glass. Markets outside Europe were sluggish at the beginning of the year, but demand gradually picked up both in Latin America, led by Brazil, and in Asia, led by China, South Korea and India.

Sales by Les Vitrages de Saint-Gobain in the building transformation and specialty markets contracted by 17.9% on a reported basis and 16.0% like-for-like. They were down in most countries, with the biggest drops recorded in Southern Europe and the United Kingdom. The product mix continued to be enhanced, with the development of coated glass products and specialty products such as safety glass, while sales of local services grew at a healthy rate.

Sekurit's sales declined 15.3% on a reported basis and 12.7% like-for-like, due to very depressed demand in the automotive market during the first half. The market picked up in the second half, however, as carmakers stopped drawing down inventories and scrappage schemes began to have an effect.
Europe was particularly badly hit by the first-half slump, with automobile production plunging 14% compared with the same period of 2008. Trends in other regions were uneven, with gains of 50% in China and 16% in India contrasting with falls of 8% in South Korea, 1% in Brazil and 30% in Mexico.

In this challenging environment, the Flat Glass Division's operating income fell sharply, to €155 million from €701 million in 2008. The effects of the falloff in volumes were cushioned to some extent by i) tight controls over industrial performance, ii) capacity rightsizing with the mothballing of several float lines and iii) deep cuts in overheads and the workforce. At the same time, routine capital expenditure was halved, without however compromising future growth drivers such as solar systems. These measures had a favorable impact on free cash flow.

Outlook for 2010

After a difficult start to 2009 in the automotive and construction markets, followed by a somewhat hesitant recovery from June onwards, the economic environment in 2010 looks set to be in line with the end of last year. However, there is still some uncertainty as to whether the recovery will take hold, particularly in Europe. As a result, we will continue to give priority to the programs to cut production costs and overheads, as well as to protecting margins and preserving free cash flow.

The solar business will play a key role in driving business growth, with the completion of development initiatives, the launch of new products (such as Transparent Conductive Oxide—TCO—anti-reflective coated glass for photovoltaic panels and parabolic cylindrical mirrors) and the optimization of production facilities and costs (through the Avancis joint venture). At the same time, the downstream integrated photovoltaic systems business should take off, particularly in France.

Research and development spending will remain high, to ensure that the Flat Glass Division remains at the forefront of innovation, particularly in solar systems and in energy-saving solutions for the homebuilding and renovation markets and the automotive market.

Innovative Materials—High-Performance Materials

Contribution to the Group	2009	2008	2007	2006
% of net sales	9%	10%	11%	12%
% of operating income	10%	15%	14%	13%
% of cash flow from operations	9%	12%	13%	13%

Key Figures

(in € millions)	2009	2008	2007	2006
Net sales[1]	3,240	4,165	4,752	4,938
Operating income	215	543	585	500
Cash flow from operations	215	437	487	432
EBITDA	399	721	801	747
Capital expenditure[2]	130	223	238	225

(1) Sales data by Division include inter-division sales
(2) Excluding finance leases.

2009 business review

High-Performance Materials sales for 2009 do not include any revenue from the divested reinforcements business, which contributed €111 million for the period up to its sale in 2008 (and €891 million in 2007). Excluding changes in consolidation scope and the currency effect, the Division's sales contracted by 21.1% in 2009. However, the situation improved as the year wore on, with the downtrend easing from 24.7% in the first half to 10.7% like-for-like in the fourth quarter.

In a challenging environment, the Textile Solutions business had a satisfactory year in the European woven products market, while sales of unwoven roofing products held up well in the United States and slightly less well in Europe.

Abrasives sales fell sharply in all regions during the first half, as a result of large-scale inventory drawdowns. However, the latter part of the year saw a strong recovery in demand in emerging markets in Asia and South America, and a more hesitant but nevertheless real upturn in developed markets, led by the United States.

The Plastics business was less affected by the crisis thanks to the many new products developed jointly with customers, and sales even increased slightly in some segments, such as fluid control systems for medical use. In addition, the second-half rebound in the automotive market had a favorable impact on plastic bearing sales.

Crystals orders fell steeply across all product lines, particularly for medical equipment and security system applications.

In the Ceramics businesses, sales were boosted by firm orders for LCD glass furnace refractories and, in the first-quarter, by deliveries of orders booked in 2008 for other glass-making refractories. All Grain markets were severely weakened by inventory drawdowns by industrial customers at the start of the year, while the Proppants business was adversely affected by low US gas prices.

High-Performance Materials operating margin was severely eroded by lower unit sales across all businesses (Abrasives, Textile Solutions, Crystals and Grains), although Ceramics margin held up better thanks to the LCD business, and the Plastics business performed very well in a challenging economic environment.

In all, the combination of firm prices and radical action to cut costs—particularly overheads—and realign the Division's organization helped to keep operating margin at close to 7%.

Lastly, in response to sustained demand in emerging markets, production capacity at a certain number of plants in these countries (China, India and Mexico) was increased to better serve local markets. Capital expenditure was nevertheless cut by 41% overall compared with 2008, keeping free cash flow at 20% of assets, as in the previous year.

Outlook for 2010

Forecasts for 2010 reflect expectations of a modest but uneven recovery in the various regions and markets, after last year's steep fall in volumes. The most promising regions are Asia and South America, where markets are expected to be nearly back to 2008 levels by the start of 2010. However, the Division's main markets in North America and Europe look set to grow at a more subdued rate.

Controlling costs will remain the number one operational priority. The restructuring and capacity alignment measures undertaken in 2009 will generate additional savings on a full year basis. The World Class Manufacturing (WCM) programs in the plants and purchasing optimization initiatives will also deliver benefits, particularly with the expected return to price inflation.

As in 2009, capital expenditure projects will be very carefully selected and will be aimed at rationalizing manufacturing operations as well as at building positions in emerging markets.

Construction Products

Contribution to the Group	2009	2008	2007	2006
% of net sales	28%	27%	26%	26%
% of operating income	44%	29%	32%	37%
% of cash flow from operations	29%	25%	28%	31%

Key Figures

(in € millions)	2009	2008	2007	2006
Net sales[1]	10,414	12,035	11,112	10,876
Operating income	985	1,070	1,313	1,376
Cash flow from operations	658	885	1,060	1,048
EBITDA	1,494	1,573	1,772	1,807
Capital expenditure[2]	364	758	830	844

(1) Sales data by Sector include inter-sector sales.
(2) Excluding finance leases.

The Construction Products Sector comprises the Gypsum, Insulation, Exterior Fittings, Pipe and Industrial Mortars divisions. The Sector has interior and exterior products for every need, both technical (such as noise control, insulation, sheathing or waterproofing) and non-technical (for example, easy installation or stylish design), backed by highly professional teams, well-known brands and robust strategic positions.

Construction Products sales declined by 14.4% over the year, both on a reported basis and excluding the currency effect, reflecting the deepening economic crisis in all of the Sector's construction markets. Based on a comparable scope of consolidation, sales retreated in all regions except Latin America (up 9.5%), pulled down by lower volumes with falls of 21.5% in Central and Eastern Europe, 15.4% in Western Europe and 14.8% in North America.

In this unfavorable environment, all of the businesses demonstrated their flexibility and responsiveness by preserving sales prices, containing costs and stepping up the pace of innovation. Firm prices combined with lower raw materials costs helped to limit the impact of reduced unit sales on income, particularly in the Pipe and Exterior Solutions Divisions. Capital expenditure was halved, rigorous selection criteria were applied to acquisitions and a sustained effort was made throughout the year to keep the lid on working capital. Industrial restructuring operations and stepped up operational excellence programs drove major savings in production costs, while overheads were cut across the board, in particular by creating shared service centers to boost administrative productivity. Lastly, research and development resources were increased and reorganized to leverage synergies within the Sector. All told, these measures helped to generate record-high free cash flow.

The economic uncertainty that was a feature of 2009 looks set to continue in 2010, with no real improvement expected apart from in emerging markets such as Latin America and Asia. Construction markets in Western Europe and the non-residential market in North America will continue to suffer. As a result, further action will be taken to lower the cost base and the Sector will keep a tight rein on new investment while pursuing its innovation drive. This will ensure that the various businesses emerge from the recession in even better shape to leverage the "green" growth opportunities created by the energy-efficiency and sustainable development challenges.

Interior Solutions

Gypsum

2009 business review

In 2009, the Gypsum Division reported a steep drop in sales across all regions, due to sharply narrower residential and commercial real estate markets in Europe and North America, and sluggish construction markets in most emerging countries. Generally firm sales prices, lower purchasing costs and effective cost-cutting measures helped to limit the impact of these market conditions on operating income, which nevertheless declined compared with 2008.

In Western Europe, sales continued to fall throughout the year in all countries of the region. Although the rate of decline eased in the second half due to a more favorable basis of comparison, by the year-end there were still no real signs of a recovery. Government economic stimulus programs led to an increase in the number of school and hospital-building projects, but these only partly offset the steep fall in residential and commercial real estate projects. Tightly-managed pricing policies and a shift in product mix towards higher value-added lines helped to keep sales prices firm. Production capacity was scaled back in all countries, primarily by reducing the number of shifts at each plant. Two plasterboard lines and several small plaster and gypsum block production units were shut down.

In Eastern Europe, the Division delivered a resilient first-half performance helped by the completion of a certain number of projects initiated before the recession began. However, economic conditions worsened as the year wore on, leading to a faster slowdown in the second half.

In North America, the continued decline in construction starts and the sharp slowdown in the non-residential market led to another year of significantly narrower volumes, particularly in the United States. Production capacity was reduced to reflect the weaker demand and an additional plasterboard production line was mothballed, following on from two in 2008, and a ceiling tile plant was closed. The recovery in plasterboard prices that began in 2008 proved to be unsustainable and prices fell back in 2009 to their lowest level since the beginning of the previous year.

Emerging markets were also affected by the crisis, with only Brazil, China and Vietnam recording an increase in unit sales in 2009. The outlook improved considerably in the second half, however, led by indications of a recovery in Asia.

Major cost-cutting initiatives were launched in response to the steep fall in business. Plants were closed to align output with demand and scale back production costs, the World Class Manufacturing program was pursued with the objective of improving production processes and reducing losses, and overheads were adjusted to the more constrained circumstances.
Despite the focus on cutting costs, the innovation drive was stepped up during the year. A new research and development organization was set up and many new products were launched

to enhance acoustic benefits (with Placo® Duo'Tech 25 in France and Soundcoat Plus in the United Kingdom), improve living environments (with Placo® Impact in France) and make installers' jobs easier and more productive (for example, with the new range of profiles in Scandinavia).

Outlook for 2010

With the exception of emerging markets which are expected to stage a recovery in 2010, the Division's main markets look set to remain challenging. The ongoing decline in the non-residential segment could well limit the positive effects of a modest upturn in residential markets from the second half.

In this environment, the focus in mature markets will be on continuing to strictly control costs. At the same time, the innovation process will be kept up and new products will be developed in response to the emerging demands resulting from new environmental and energy efficiency standards, and to the growing needs in the renovation market.

Conversely, in emerging markets—particularly Asia and Latin America—priority will be given to increasing local production capacity and diversifying the product line-up.

Insulation

2009 business review

In 2009, the Insulation Division reported a significant drop in sales, caused by the ongoing crisis in the US construction market and the economic downturn in Europe that began in the second half of 2008. Conditions in these markets contrasted with Asia and Latin America, which escaped the worst of the crisis.

In the United States, volumes continued to fall despite the positive impact of exports to Australia, which helped to sustain the business in the second half, while rampant competition put pressure on prices.

Unit sales also plummeted in Eastern Europe (Russia, Poland, Romania and the Baltic States)as well as in Western Europe, although government stimulus measures in Germany and the launch of a new product range in France helped to limit the fall in these countries. Prices also declined, but the impact on margins was offset by lower raw material prices.

Cost-cutting plans were implemented throughout the Division, involving plant closures (starting with the Irish glass wool plant at the end of 2008 and followed by the Japanese, Polish and Austrian plants in late 2009), shift realignments and alternating production lines in response to reduced demand, and measures to improve manufacturing and supply chain performance, as well as to reduce fixed production costs and overheads.

One of the highlights of the year was the successful integration of Canada-based Ottawa Fiber (OFI) within the North American production and marketing organization, in a particularly challenging market environment.

Outlook for 2010

In 2010, Insulation markets in Europe should remain stable, possibly with a small upturn in Eastern Europe. Commissioning of new capacity by German and French competitors will keep up the pressure on prices, although Isover is committed to maintaining price integrity by enhancing its high value-added product line-up. The newbuild market in North America should show limited signs of improvement.

As in 2009, the main objectives for the year are to implement structural cost reductions while continuing to invest in research and development and innovation in order to fully leverage the opportunities offered by the renovation market and the stricter energy efficiency standards applicable to newbuilds. Integration of the Technical Insulation business will continue, to improve Isover's positioning in these markets. At the same time, the Division will keep up its strategy of expanding the product line-up, with the development of high-density glass wool products, the addition of innovative membranes to the Vario range and the promotion of insulation products with low thermal conductivity ratings made from polystyrene and other materials.

Exterior Solutions

Exterior Fittings

2009 business review

In the United States, the construction market had been contracting since 2006 and the situation worsened in 2009 as the recession spread to all sectors of the economy. Unemployment reached 10%, with the rate climbing much higher in some regions, and the value of personal savings was severely eroded by the collapse of the financial markets, while the banks applied increasingly stringent lending criteria. As a result, the stock of unsold homes increased, driving down prices and limiting demand for newbuilds. Housing starts hit a fifty-year low. At 550,000 units, they were 40% down on 2008 and 70% below the record high reached in 2005. The situation led to a collapse in unit sales across all Exterior Fittings businesses. However, the recession helped to drive down raw material, energy and freight costs, impacting favorably on the Division's margins for products whose sales prices held firm.

Despite the unfavorable economic environment, the roofing businesses reported improved operating margins, thanks to lower prices for key raw materials and to sales prices staying at late-2008 levels throughout the year. A similar downtrend in PVC resin prices throughout the year had a positive impact on margins in the siding, gate and railings businesses. Responding to the steep drop in unit sales, the Exterior Fittings business sharply reduced its supply chain and production costs. In addition, tight control was maintained over selling, general and administrative expenses, as part of the drive to preserve operating margin. Faced with waning demand, the business continued to rationalize production capacity, by closing a roofing plant in Birmingham and a PVC pipe plant in Waco, as well as by cutting the number of shifts and implementing temporary production shutdowns throughout the year at the other plants.

Outlook for 2010

Although a recovery is expected in the United States in 2010, it is not clear how strong it will be. Economists now consider that the recession is over, but unemployment is likely to keep on rising in the first half of the year along with real estate foreclosures. Exterior Fittings sales should be relatively stable compared with 2009. However, prices may come under even greater pressure and cutting costs will remain a priority as the Division continues to align production capacity and inventories with demand.

Pipe

2009 business review

The Pipe Division held up very well during the recession. Leveraging its high-performance, competitive product line-up, the Division booked a number of very attractive orders in the growth markets of Latin America (particularly Brazil), Africa (Libya and Algeria, along with the final deliveries under the contract in Mauritania), the Middle East (particularly Qatar with a specific order for wastewater pipes) and Eastern Europe.

In the markets of Western Europe, firm sales prices and the development of new offers helped to ease the impact of lower volumes. The French market was one of the least affected by the crisis and started to pick up in the middle of the year. In Spain, the recovery plan (Plan E) helped to limit the downturn after an exceptional 2008 and the restructured specialist distribution business turned in a profit for the year. In Italy, volumes were sustained by major EU-financed projects in Sicily and Sardinia. The German market remained sluggish, while the UK market was the biggest victim of the crisis. In the other countries of Western Europe, large contracts in the Netherlands and Finland helped to offset the impact of lower sales in other markets.

Sales in Eastern Europe were strong, lifted by vibrant markets in Romania and—to a lesser extent—Poland and the Czech Republic.

2009 was an exceptional year in Brazil, reflecting the boost to demand provided by the government's growth acceleration plan.

In China, Pipe unit sales were sharply down on 2008 but the trend reversed in the second half.

Demand remained strong in distant export markets; however, some projects had to be postponed due to delays experienced by customers in arranging the necessary financing. Innovative, high value-added offers accounted for a significant proportion of sales, particularly exports to the Middle East, reflecting the undisputed competitive advantage derived from the Pipe Division's high level expertise in managing the technical and logistics aspects of this type of contract.

Raw materials prices declined, particularly in Europe, following negotiation of new ore contracts and with coke prices back at their early-2008 level. At the same time, lower shipping rates helped to bring down the total cost of raw materials purchases in Europe and China, while also making exports more competitively priced.

Innovation remains a top priority for the Pipe Division, which has gained ground in a competitive environment made even more challenging by the economic crisis:

- In Europe, through the promotion of the new Blutop® small diameter drinking water pipes, the TAG wastewater pipe, the KAMELEO variable-angle joint, the G-TEX manhole covers and the new Elancio® fire hydrant housing.
- In Brazil, through the ongoing development of products specially designed for the industrial market.
- In China, through the launch of a comprehensive range of locally-manufactured large diameter pipes and an ISO-compliant water supply pipe.

Cost-cutting plans drove a significant decrease in overheads and delivered the biggest gains in industrial efficiency observed in recent years.

Healthy operating income, lower working capital requirement, both in value and in days' sales, and disciplined capital expenditure led to a strong improvement in operating free cash flow.

Outlook for 2010

Markets in Western and Eastern Europe are not expected to show any real signs of recovery before the end of the year, following the completion of major projects at the end of 2009.
Demand should remain strong in Brazil in the run-up to the elections at the end of the year. The Chinese market should be sustained by continued high government infrastructure spending and vibrant domestic demand. With a large pipe production facility due to come on stream in the next few months, the Division will be well placed to expand its share of both the domestic and export markets. In an expanding global water market, there are plenty of export opportunities, with projects planned in 2010 in Qatar, Iraq, Libya and Algeria.

Industrial Mortars

2009 business review

Industrial Mortars sales contracted compared with 2008, due to lower volumes mainly in Europe, although prices increased in all regions, led by emerging markets.
The Division's fairly resilient performance was primarily attributable to sustained sales growth in emerging markets with the exception of Eastern Europe. The decline in Expanded Clay Pellets sales accelerated in 2009, as a result of the business's greater sensitivity to trends in the newbuild market and its greater dependence on European markets. However, the Equipment business experienced the steepest fall, due to the major impact of the recession on capital goods purchases.

The falloff in unit sales in Europe weighed heavily on operating income for the year. However, the impact was partly offset by sustained margins, ongoing synergistic benefits from the Maxit acquisition and additional cost savings under the plans launched since the onset of the crisis. As a result of these synergies and cost-cutting plans, implemented primarily in Europe, operating income held up well compared with 2008.

Capital expenditure was radically scaled back in 2009, with cuts made in Western Europe and, to a lesser extent, in Eastern Europe so as to allow continued investment in emerging markets. 2009 saw the integration within the Division of Sodamco, the Middle East's leading producer of mortars and specialty products for the construction industry.

Outlook for 2010

Economic conditions look set to remain difficult in Western Europe at least during the first half of the year. However, in emerging markets—which account for a third of the Division's sales—volume growth should outstrip that for 2009.

Improved margins and the positive effects of the programs launched since the start of the crisis to cut costs and unleash synergies should drive up operating income in 2010. Capital expenditure will remain stable in Western Europe and will increase significantly in emerging markets to keep pace with business growth.

Building Distribution

Contribution to the Group	2009	2008	2007	2006
% of net sales	45%	45%	45%	42%
% of operating income	19%	24%	27%	27%
% of cash flow from operations	13%	18%	22%	24%

Key Figures

(in € millions)	2009	2008	2007	2006
Net sales[1]	17,101	19,696	19,480	17,581
Operating income	412	894	1,102	1,001
Cash flow from operations	283	650	825	817
EBITDA	698	1,178	1,378	1,269
Capital expenditure[2]	155	291	353	315

2009 business review

In 2009, the international financial crisis led to restrictions on the availability of credit and deep corrections in the real estate markets, creating very difficult trading conditions for the Building Distribution Sector. Sales fell by 13.2% compared with 2008 or 12.2% like-for-like.
The first part of the year saw a sharp contraction in sales in all regions, from a high basis of comparison in 2008 which had started well particularly in France. The rate of decline eased from September onwards in some countries of Western Europe, led by the United Kingdom and Spain. In the buoyant Brazilian market, the Sector reported sustained organic growth in 2009. However, Brazil represented the exception, and all of the Sector's other entities were hit by the crisis and experienced a fall in sales. External growth projects were limited to five small acquisitions that were initiated in 2008 and completed at the start of the year as part of the strategy to consolidate existing networks.

Sales fell sharply in France, which accounts for over 44% of the Sector's revenues. While the specialist builders' merchants (Pum Plastiques, Cedeo) and Plateforme du Bâtiment delivered resilient performances, Point P had a difficult year, as did Lapeyre in France although the decline in its sales eased in the fourth quarter. In the United Kingdom, the recession led to a double-digit fall in sales based on a comparable scope of consolidation. The like-for-like decline in sales was fairly limited in Germany but was considerably steeper in the Netherlands, where the construction sector bore the full brunt of the economic crisis.

In the Nordic countries, like-for-like growth slowed in a very difficult building materials market. Sweden held up best, with the other countries being more severely affected by the recession. In Switzerland, Sanitas Troesch performed well in a relatively crisis-free environment. With like-for-like sales nearly on a par with 2008, the company maintained its market leadership, particularly in the fitted kitchens segment.

In Eastern Europe, which was badly hit by the crisis, like-for-like sales retreated sharply. Declines were reported in all countries of the region, with Hungary experiencing the steepest fall, and while Poland and the Czech Republic fared slightly better their performances nevertheless fell well short of 2008.

Building Distribution sales in Spain were knocked off course by the severely impaired economic environment during the year, although specialist merchants were less affected than general builders' merchants.

Outside Europe, Telhanorte in Brazil reported an increase in like-for-like sales but Barugel in Argentina experienced a heavy downturn. In North America, where the Sector expanded its position in 2007 with the acquisition of Norandex, like-for-like sales retreated by over 20% during the year in a building market that has been in crisis since 2008.

The Sector responded to these difficult market conditions by closing merchant outlets that were unlikely to return to profit despite the measures taken to this end. The distribution network

(1) Sales data by Sector include inter-sector sales.
(2) Excluding finance leases.

nevertheless remains largely intact and is now in better shape to reap the benefits of the recovery when it comes.

The Sector's operating margin narrowed by 2.1 points in 2009, to 2.4% of sales. The fall could have been much greater, had it not been for the energetic action to cut general distribution costs undertaken from the onset of the crisis and stepped up during 2009, as well as for the marketing action plans established in all units to protect gross margin rates. Thanks to these initiatives, while the margin rate fell by 3.3 points in first-half 2009 compared with the year-earlier period, the trend was reversed in the summer and the gap narrowed to just 1 point in the second half.

At the same time, improved management of capital expenditure and operating working capital requirement drove a significant improvement in the Sector's free cash flow to above the 2008 level.

Outlook for 2010

Leveraging its experience, the Sector acted swiftly in 2009 to adapt its business to the new economic environment and generate strong cash flow in order to emerge from the recession in the best possible shape. Nevertheless, sales growth is likely to be fairly restrained in 2010, based on the current cautious projections for the post-crisis period, with some countries returning to growth but others struggling to climb out of recession. However, the Sector's operating income will reflect the full effects of the restructuring measures implemented during 2009.

Packaging

Contribution to the Group	2009	2008	2007	2006
% of net sales	9%	8%	8%	10%
% of operating income	20%	12%	10%	10%
% of cash flow from operations	21%	14%	11%	12%

Key Figures

(in € millions)	2009	2008	2007	2006
Net sales(1)	3,445	3,547	3,546	4,080
Operating income	437	442	401	376
Cash flow from operations	492	510	425	402
EBITDA	657	650	610	615
Capital expenditure(2)	259	283	309	335

(1) Sales data by Sector include inter-sector sales.
(2) Excluding finance leases.

2009 business review

In 2009, Packaging Sector sales retreated by 2.9% to €3,445 million from €3,547 million the previous year, due to lower volumes. In Europe, the steep fall in unit sales—particularly in Spain and France—outweighed the positive effects of higher prices. In the United States and Latin America on the other hand, sales were up at constant exchange rates, primarily thanks to a favorable shift in the price mix.

In all, the limited decline in Packaging Sector sales attests to its robust marketing dynamic, underpinned by rigorous attention to quality and an unrelenting commitment to competitive differentiation and customer satisfaction. Its objectives in the latter two areas are met through an innovative and regularly extended product range and world-class production facilities.

2009 saw a sharp rise in raw materials and energy costs, the effects of which were passed on for the most part in sales prices. In the United States, as well as in the Sector's other host countries, sales contracts include price revision clauses covering increases in factor costs and energy costs.

As in prior years, the Sector kept up its focus on maintaining productivity and containing other production costs. Its efforts in these areas along with other production optimization measures helped to improve operating margins, particularly in the United States. Faced with falling unit sales, the Sector was forced to close a plant in Spain and another in the United States. In addition, a major program of temporary production shutdowns had to be implemented to align inventories with market demand.

Operating margin rose from 12.5% in 2008 to a record high of 12.7% in 2009.

These measures helped to ensure that free cash flow was not only comfortably positive but was also up on 2008.

Outlook for 2010

The trading environment will remain difficult, due to ongoing uncertainty about the level of demand. As a result, the Sector expects sales to be on a par with 2009, with the forecast growth in Latin American markets offsetting modest declines in Europe and the United States. The experience gained in meeting volatile and complex demand has led to advances in production scheduling and management, as well as in manufacturing flexibility, that will drive further improvements in service quality this year without sacrificing manufacturing performance

2010 OUTLOOK AND ACTION PLANS

2009 was devoted to responding to the crisis, particularly the very sharp 14% drop in unit sales. Prices nevertheless rose by a slight 0.8% last year and the recession now appears to have bottomed out. All the same, the outlook for 2010 is uncertain. The Group's markets should slowly start to pick up, although the rate of recovery will vary depending on the region. The emerging markets will recover first, led by Asia and Latin America, and will increase their weight in the global economy, while Western Europe and the United States are likely to lag behind.

We have a certain number of important strengths that will serve us well in this environment. With the global crisis has come a lasting awareness of the need to take into account the challenges of sustainable development. This is reflected in the major "green" components of government stimulus packages, whose effects will be felt not only in the short term but also over the longer term. The regulatory environment has also changed, to promote greater energy efficiency, such as in Europe with the revised European Energy Performance of Buildings Directive . In France, this growing awareness of sustainable development issues is evident in the €500 million earmarked for energy saving retrofits out of the proceeds from the government's national bond issue and in the renewal of public funding for photovoltaic solutions (particularly solar panels installed on buildings). With its "Habitat" strategy, Saint-Gobain is well placed to benefit from these developments.

The action undertaken in 2009 will be continued so that we can fully leverage the advances made as we adapted to the crisis. Priority will be given to preserving sales prices, strictly controlling costs and efficiently managing cash, in order to ensure that the Group is in the best possible shape when the recovery begins. Cost-cutting plans delivered savings of €400 million in 2008 and €1.5 billion over the two-year period to end-2009, in line with our objectives. These plans will be pursued in 2010. Efficiently managing working capital will also remain a core objective, to lock in the reduction achieved in 2009 (representing the equivalent of 31 days' sales) despite the pressures of renewed business growth and new regulations in France imposing faster payment of supplier invoices. Capital expenditure will remain at a fairly low level and acquisitions will again be limited, with priority given to projects in emerging markets and in the solar sector.

We will step up our focus on emerging markets, with the aim of expanding our presence in these markets in the medium term as a means of driving faster business growth. Many advances were made within the solar business in 2009 and we intend to continue growing this business, by leveraging the synergies with our other businesses as well as the regulatory changes and stimulus packages in favor of renewable energies. Lastly, we will respond to the need for ever greater energy efficiency, by moving from a product-based offer to complete solutions for the residential market. To achieve this goal, the research and development budget will be kept at around €400 million.

SHARE INFORMATION

Compagnie de Saint-Gobain shares are traded on the Eurolist by Euronext Paris market (ISIN code FR 0000 125007). In 2009, the Company represented the nineteenth largest market capitalization (at €19,527 million as of December 31, 2009) and the eleventh most actively traded stock on this market, with an average daily trading volume of 3,086,930 shares during the year. The shares are also traded on the other main European stock markets – Frankfurt, London and Zurich since 1987 and Amsterdam and Brussels since 1988. Trading volumes on these markets were also high in 2009, particularly on the London Stock Exchange.

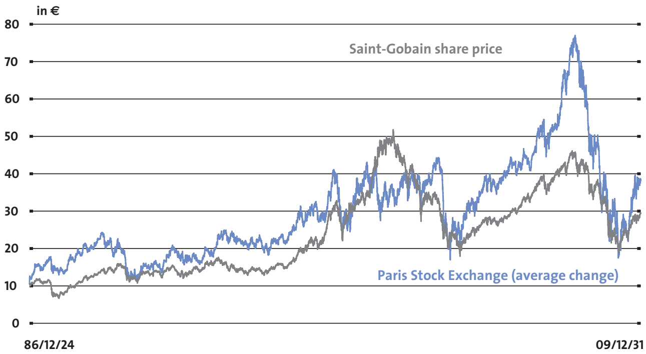
Compagnie de Saint-Gobain is included in the DJ Euro Stoxx 50 index and the Aspi Eurozone and FTSE4Good sustainable development indices. More recently, the Company was selected for inclusion in The Global Dow, a 150-stock index of the most innovative, vibrant and influential corporations from around the world.

In addition, Saint-Gobain equity options are traded on the options markets in Paris (Monep) and London (Liffe), with Monep trading volume representing 874,696 contracts in 2009 versus 586,229 the previous year.

High and low share prices(1)

Year	High	Low	Year-end price
2007	77.994	56.872	58.589
2008	59.288	20.941	30.521
2009	40.650	16.650	38.070

Share price(2)



Total Shareholder Return

Since the December 1986 privatization: 10.6% per year

Of which: 5.7% price appreciation
4.9% dividend yield (including the 50% *avoir fiscal* tax credit until 2004)

Calculated as follows:

- IPO price: €10.559(3)
- 1987 and 1988 cash dividends
- 1989-1997 stock dividends
- 1998-2008 cash dividends
- 2009 stock dividend
- December 31, 2009 share price: €38.070

Over ten years, from December 30, 1999 to December 31, 2009: 4.0% per year

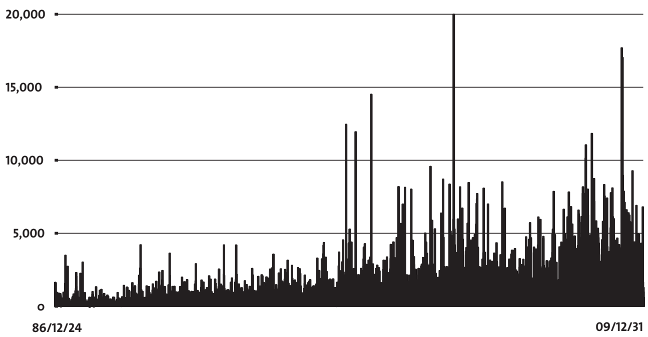
Of which: 1.1% price depreciation
5.1% dividend yield (including the 50% *avoir fiscal* tax credit until 2004)

Calculated as follows:

- December 30, 1999 share price: €42.404(3)
- 1998-2008 cash dividends
- 2009 stock dividend
- December 31, 2009 share price: €38.070

Trading volume (in thousands)(1)

Trading volume since the 4-for-1 stock-split in June 2002



(1) Source: NYSE Euronext Paris
(2) Adjusted for the effects of the February 2009 rights issue.
(3) Adjusted for the effects of the March 1994 and February 2009 rights issues.

Trading volume since September 2008[2]
(source: NYSE Euronext Paris SA)

Paris Stock Exchange ISIN FR0000125007	Number of shares	Amount (in €)	High (in €)	Low (in €)
September	68,985,578	2,458,882,317	40.473	31.548
October	99,520,799	2,600,518,254	33.764	20.941
November	57,897,703	1,557,204,946	30.580	22.812
December	45,728,706	1,389,574,406	33.196	25.983
TOTAL	**272,132,786**	**8,006,179,923**		
2009				
January	55,887,233	1,533,104,344	33.369	23.149
February	103,492,656	2,311,446,452	29.980	16.650
March	121,916,231	2,448,424,771	22.470	17.400
April 72,388,422		1,855,666,683	28.350	20.230
May	62,978,203	1,682,714,114	29.905	24.100
June	73,038,171	1,858,907,815	28.190	22.790
July	67,032,088	1,685,033,139	28.850	21.620
August	54,438,131	1,652,335,041	33.790	28.150
September	62,481,664	2,079,894,322	36.080	29.000
October	68,400,411	2,501,519,391	39.680	33.100
November	50,122,071	1,843,488,891	39.250	33.230
December	44,993,832	1,688,665,106	40.650	36.505
TOTAL	**837,169,113**	**23,141,200,068**		
2010				
January	46,640,025	1,702,700,773	39.445	33.375
February	69,733,062	2,318,307,933	35.645	31.100

Trading volume since October 2006[3]
(source: London Stock Exchange)

London Stock Exchange	Number of shares	Amount (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[3]	18,320,857 920,814,245	
TOTAL	**158,202,248**	**8,084,997,895**

A total of 338,100 shares were traded on the Frankfurt Stock Exchange in 2009 (source: Datastream).

The other Group companies whose shares are traded on a regulated market are Saint-Gobain Oberland (Frankfurt, Munich and Stuttgart Stock Exchanges), Hankuk Glass Industries (Seoul Stock Exchange), Grindwell Norton and Saint-Gobain Sekurit India (Mumbai Stock Exchange), Izocam (Istanbul Stock Exchange) and Compania Industrial El Volcan (Santiago de Chile Stock Exchange).

Bonds

During 2009, Compagnie de Saint-Gobain carried out the following bond issues:

- On January 26, €1 billion bond issue due July 28, 2014
- On May 20, €750 million bond issue due May 20, 2013
- On June 29, €200 million private placement notes issue due June 29, 2017

Also during the year, Saint-Gobain Nederland redeemed a €1 billion bond issue due July 9.

Non-voting participating securities

In June 1983, Compagnie de Saint-Gobain issued FRF 700 million worth of non-voting participating securities with warrants attached that were exercisable for participating securities for the same amount. In all, 1,288,299 securities with a face value of FRF 1,000 were issued. Since 1999, the face value is €152.45.

Interest on the securities varies according to Saint-Gobain's results and ranges from 0.75 to 1.25 times the average French corporate bond rate (known as the "TMO" rate). Since the securities were issued, the rate has consistently reached the cap of 1.25 times the TMO and, in light of the Group's 2008 results, it was also at this level in 2009, representing €8.58 per security.

Trading volume since September 2008
(source: NYSE Euronext Paris SA)

Paris Stock Exchange ISIN FR0000140030	Number of shares	Amount (in €)	High (in €)	Low (in €)
2008				
September	918	129,357	147.72	130.50
October	1,852	263,860	154.00	126.00
November	2,630	371,117	156.00	126.00
December	1,223	170,862	145.00	128.20
TOTAUX	**6,623**	**935,196**		

(1) Adjusted for the effects of the March 1994 and February 2009 rights issues.
(2) In accordance with IAS 33, per share data for periods prior to the February 2009 rights issue have been adjusted using the coefficient published by NYSE Euronext Paris.
(3) The London Stock Exchange no longer provides details of trading volumes since the end of October 2007.

Paris Stock Exchange ISIN FR0000140030	Number of shares	Amount (in €)	High (in €)	Low (in €)
2009				
January	957	136,965	152.00	136.85
February	799	112,935	148.00	136.50
March	2,000	283,146	154.90	127.80
April 10,928		1,551,843	144.00	131.00
May	496	72,913	149.00	135.10
June	998	147,885	149.00	137.00
July	437	63,219	149.00	132.20
August	1,725	249,922	165.00	144.00
September	800	119,972	160.00	143.80
October	6,891	1,029,722	150.00	141.00
November	485	72,275	150.00	148.00
December	4,884	690,447	150.00	136.00
TOTAL	**31,400**	**4,531,243**		
2010				
January	5,724	847,302	150.00	138.90
February	3,984	590,202	150.00	142.00

Trading volume since September 2008
(source: NYSE Euronext Paris SA)

Paris Stock Exchange ISIN FR0000047607	Number of shares	Amount (in €)	High (in €)	Low (in €)
2008				
September	94	12,366	132.00	131.00
October	101	13,001	131.45	125.10
November	48	6,106	128.00	127.00
December	35	4,435	127.00	126.00
TOTAL	**278**	**35,908**		
2009				
January	55	6,900	126.00	125.00
February	22	2,800	135.00	118.00
March	310	34,386	115.00	108.30
April 95		11,508	123.23	120.50
May	103	13,246	130.78	126.95
June	233	30,585	133.40	130.00
July	162	20,928	133.40	126.30
August	57	7,328	133.40	126.31
September	103	14,032	138.37	135.00
October	172	23,811	139.00	138.37
November	210	27,426	135.26	129.50
December	92	12,439	137.97	134.00
TOTAL	**1,614**	**205,390**		
2010				
January	100	13,545	138.05	131.50
February	104	14,353	138.01	138.00

In April 1984, Compagnie de Saint-Gobain issued ECU 100 million worth of non-voting participating securities with warrants attached that were exercisable for participating securities for the same amount. In all, 194,633 securities with a face value of ECU 1,000 were issued. Their face value is now €1,000.

Interest is payable at a fixed rate of 7.5% on 60% of the securities' face value and at a variable rate on the remaining 40%. The variable rate is based on the prior year's consolidated net income and is subject to a cap and a floor. Total interest on the securities ranges from TMOE less 50 bps to TMOE plus 175 bps, depending on Group earnings. Interest for 2009 amounted to €71.88 per security, paid in two installments.

Trading volume since September 2007
(source: Luxembourg Stock Exchange)

Luxembourg Stock Exchange ISIN LU0002804531	Number of shares	Amount (in €)	High (in €)	Low (in €)
2007				
Novembre	10,000	11,785	1,178.50	1,178.50
2008				
Mai	2,000	2,342	1,173.50	1,168.50
Juin	10,000	11,568	1,163.50	1,150.00
TOTAL	**12,000**	**13,910**		
2009	**Pas de transaction**			

No other securities issued by Compagnie de Saint-Gobain were traded on a stock market in 2009.

OWNERSHIP STRUCTURE

Capital stock

At December 31, 2009, Compagnie de Saint-Gobain's capital stock amounted to €2,051,724,064, represented by 512,931,016 common shares with a par value of €4, compared with 382,571,985 shares at the previous year-end. During 2009 a total of 130,359,031 shares were issued, including (i) 108,017,212 shares issued on exercise of stock warrants, (ii) 8,498,377 shares offered to members of the Group Savings Plan, (iii) 13,805,920 shares issued upon reinvestment of dividends, and (iv) 37,522 shares issued on exercise of the same number of stock options.

Ownership structure

	December 31, 2009		December 31, 2008		December 31, 2007	
in %	Capital stock	Voting rights	Capital stock	Voting rights	Capital stock	Voting rights
Wendel 17.5		25.3	21.3	20.5	17.9	17.2
Employees, through corporate mutual funds	7.6	9.6	7.8	11.9	6.3	10.3
Caisse des Dépôts et Consignations	3.2	3.6	3.3	3.2	3.3	3.2
PREDICA 1.7		2.4	1.6	1.6	1.7	1.6
COGEMA 1.2		2	1.6	1.5	1.6	1.6
Groupama	2	1.6	2	1.9	0.2	0.2
Treasury stock	0.8	0	1.2	0	1.2	0
Others 66		55.5	61.2	59.4	67.8	65.9
TOTAL	**100**	**100**	**100**	**100**	**100**	**100**

To the best of the Company's knowledge, no other shareholder owns more than 5% of the capital or voting rights, there are no shareholders' pacts and none of the main shareholders mentioned above are acting in concert. No member of the Board of Directors or senior executive of the Group personally holds shares representing more than 0.5% of the capital stock.

Saint-Gobain does not hold any of its own shares, except for the treasury stock mentioned above. Based on the most recent survey of identifiable holders of bearer shares, carried out at December 31, 2009, the Company has approximately 260,000 shareholders.

Since 1987, the Company's bylaws have included a clause giving double voting rights to fully paid-up shares that have been registered in the name of the same holder for at least two years. In addition, in the case of a bonus share issue paid up by capitalizing reserves, profits or additional paid-in capital, bonus shares allocated in respect of registered shares with double voting rights also carry double voting rights. Double voting rights are forfeited when the shares are converted to bearer form or sold. However, double voting rights are not forfeited when title is transferred by way of an inheritance or as a result of the liquidation of the marital estate or an inter vivos donation to a spouse or a relative in the direct line of succession, and the transfer is not taken into account for the purpose of determining the two-year qualifying period.

At December 31, 2009, a total of 620,694,959 voting rights were attached to the 512,931,016 shares outstanding (including non-exercisable rights attached to treasury stock).

Notifications received under disclosure threshold rules in 2009

- Wendel disclosed that, following Saint-Gobain's rights issue carried out in February-March 2009, its indirect interest had been reduced to less than 20% of Saint-Gobain's capital and voting rights on March 23, 2009 and that at that date it indirectly held 89,806,651 Saint-Gobain shares carrying the same number of voting rights (representing 18.31% of the Company's capital and 17.60% of the voting rights).
- AXA Investment Managers Paris—acting in its capacity as manager of the Saint-Gobain PEG France corporate mutual fund—disclosed that, following Saint-Gobain's rights issued carried out in February-March 2009, the Saint-Gobain voting rights held by the fund had been reduced to less than the 10% threshold on March 23, 2009 and at that date the fund held 27,078,872 Saint-Gobain shares carrying 43,980,259 voting rights (representing 5.52% of the Company's capital and 8.62% of the voting rights).
- Wendel disclosed that, following the allocation of double voting rights, its indirect interest had been increased to more than 20% of Saint-Gobain's voting rights on October 11, 2009 and that at that date it indirectly held 89,812,635 Saint-Gobain

shares carrying 121,704,247 voting rights (representing 17.51% of the Company's capital and 21.00% of the voting rights).

On the same date, Wendel issued the following statement of intent:

"Wendel hereby states that it has crossed the threshold of 20% of Compagnie de Saint-Gobain's voting rights due to the allocation of double voting rights to registered shares held for a period of two years. Due to the nature of this allocation, the acquisition of these double voting rights did not require any specific financing.

For the record, Wendel states that the financing arranged for the purpose of acquiring its stake in Compagnie de Saint-Gobain is described on pages 105 to 106, 116 and 131 of its 2008 Registration Document and pages 26 to 28 of its interim financial report for the six months ended June 30, 2009.

Wendel hereby states that:

- *It is not acting in concert with other shareholders.*
- *It will not increase its interest to more than 21.5%, as stated in the letter sent to the Company on March 18, 2008.*
- *It does not intend to acquire control of Compagnie de Saint-Gobain.*

Wendel states that it has a long-term commitment to supporting Compagnie de Saint-Gobain's business strategy. As Compagnie de Saint-Gobain's majority shareholder, Wendel intends to continue actively participating in the work of the Board of Directors and Board Committees to define the most appropriate ways for the Saint-Gobain Group to realize all of its potential long-term growth in both revenue and earnings.

Wendel further states that it does not currently have any intentions relating to:

- *A merger, reorganization, liquidation or transfer of a substantial portion of the assets of Compagnie de Saint-Gobain or of any entity that Compagnie de Saint-Gobain controls within the meaning of Article L. 233-3 of the French Commercial Code.*
- *Changing the scope of operations of Compagnie de Saint-Gobain.*
- *Amending the bylaws of Compagnie de Saint-Gobain.*
- *Delisting any Compagnie de Saint-Gobain securities.*
- *An issue of Compagnie de Saint-Gobain securities.*

Wendel also states that it has not entered into any provisional transfer or assignment agreements relating to Compagnie de Saint-Gobain's shares and/or voting rights.

Lastly, Wendel states that it does not intend to request any additional seats on Compagnie de Saint-Gobain's Board of Directors."

- Wendel disclosed that, following an allocation of double voting rights, its indirect interest had been raised to more than 25% of Saint-Gobain's voting rights on December 7, 2009 and that at that date it directly and indirectly held 89,812,635 Saint-Gobain shares carrying 155,775,720 voting rights (representing 17.51% of the Company's capital and 25.10% of the voting rights).

On the same date, Wendel issued the following statement:

"[...] a number of our subsidiaries (see table below) have set up forward financial instruments for the purpose of financing or refinancing their purchase of Saint-Gobain shares [...].

The financing arrangements used involve a combination of forwards (forward sales and financial futures) and total return swaps.

For each of the entities concerned, the forwards and swaps (i) are contractually and indivisibly interrelated in order to ensure repayment of the funds made available by the lending bank for the purpose of financing or refinancing the Saint-Gobain share purchases, and (ii) will be cash-settled.

At no time will this combined use of forwards and total return swaps—which corresponds to a financing arrangement in economic terms—increase the exposure resulting from the physical ownership of the related Saint-Gobain shares held by the Hirvest companies concerned. Consequently, this combination does not give rise to a long position on Saint-Gobain shares [...].

These financing arrangements—which represent a total of €2,186 million—have been set up within the following entities:

Entity	Type of instrument	Notional number of shares	Expiry date(1)
Hirvest 3	Forward sale TRS	(8,828,777) 8,828,777	50% on June 30, 2014 50% on June 30, 2015 50% on June 30, 2014 50% on June 30, 2015
Hirvest 4 Jeurggen	Financial future TRS	(9,675,802) 9,675,802	June 21, 2015 June 21, 2015
Hirvest 5 Iregen	Financial future TRS	(12,157,687) 12,157,687	April 2012, 2013, 2014, 2015(2) April 2012, 2013, 2014, 2015(2)

At the same time, Wendel issued the following statement of intent:

"Wendel hereby states that it has crossed the threshold of 25% of Compagnie de Saint-Gobain's voting rights due to the allocation of double voting rights to registered shares held for a period of two years. Due to the nature of this allocation, the acquisition of these double voting rights did not require any specific financing.

For the record, Wendel states that the financing arranged for the purpose of acquiring its stake in Compagnie de Saint-Gobain is described on pages105 to 106, 116 and 131 of its 2008 Registration Document, pages 26 to 28 and 36 to 37 of its interim financial report for the six months ended June 30, 2009 and its press releases dated November 5, 2009 and December 3, 2009.

Wendel hereby states that:

- *It is not acting in concert with other shareholders.*
- *It will not increase its interest to more than 21.5%, as stated in the letter sent to the Company on March 18, 2008.*
- *It does not intend to acquire control of Compagnie de Saint-Gobain.*

Wendel states that it has a long-term commitment to supporting Compagnie de Saint-Gobain's business strategy. As Compagnie de Saint-Gobain's majority shareholder, Wendel intends to continue actively participating in the work of the Board of Directors and Board Committees to define the most appropriate ways for the Saint-Gobain Group to realize all of its potential long-term growth in both revenue and earnings.

Wendel further states that it does not currently have any intentions relating to:

- *A merger, reorganization, liquidation or transfer of a substantial portion of the assets of Compagnie de Saint-Gobain or of any entity that Compagnie de Saint-Gobain controls within the meaning of Article L. 233-3 of the French Commercial Code.*
- *Changing the scope of operations of Compagnie de Saint-Gobain.*
- *Amending the bylaws of Compagnie de Saint-Gobain.*
- *Delisting any Compagnie de Saint-Gobain securities.*
- *An issue of Compagnie de Saint-Gobain securities.*

Wendel also states that it has not entered into any provisional transfer or assignment agreements relating to Compagnie de Saint-Gobain's shares and/or voting rights.

Lastly, Wendel states that it does not intend to request any additional seats on Compagnie de Saint-Gobain's Board of Directors."

February-March 2009 rights issue

On February 19, 2009, the Board of Directors decided to use the authorization given at the Annual General Meeting of June 7, 2007 (12th resolution) to increase the capital through a free allocation of stock warrants to existing shareholders, with a public offering in France, the United Kingdom, Belgium, the Netherlands, Germany and Switzerland and a private placement with institutional investors in other countries.

A total of 382,571,985 warrants were allocated on February 23, 2009, on the basis of one warrant per share(3). The warrants were exercisable on the basis of two shares for seven warrants at a price of €14 per share between February 23 and March 6, 2009. 108,017,212 new €4 par value shares were issued on conversion of warrants, for total proceeds of €1,512,240,968 including premiums. Following these issues, as of March 23, 2009 Compagnie de Saint-Gobain's capital amounted to €1,962,356,788 represented by 490,589,197 common shares with a total of 510,391,631 voting rights (including non-exercisable rights attached to treasury stock).

The issue prospectus, comprising Compagnie de Saint Gobain's Registration Document filed with the French securities regulator (Autorité des Marchés Financiers—"AMF") on April 8, 2008 under no. D.08-0214, the update of this Document filed with the AMF on February 19, 2009 under no. D.08-0214-A01, and the Offering Circular dated February 19, 2009, was approved by the AMF under visa no. 09-042 on February 19, 2009. It can be downloaded from the websites of the Company (www.saint-gobain.com) and the AMF (www.amf-france.org).

(1) These expiry dates may be amended in line with the Wendel Group's debt management policy.
(2) Subject to completion of the final contractual documentation.
(3) As no stock options were exercised before March 2, 2009 the number of warrants set initially was not increased.

Changes in capital over the last five years

	Capital stock	Number of shares	
01-04	€1,364,100,540	341,025,135	Cancellation of 6,799,832 shares
06-04	€1,380,497,308	345,124,327	Employee rights issue: 4,099,192 shares issued to the Group Savings Plan (€31.41 per share)
11-04	€1,362,569,200	340,642,300	Cancellation of 4,482,027 shares
12-04	€1,363,952,000	340,988,000	Issuance of 345,700 shares on exercise of the same number of options
06-05	€1,381,021,880	345,255,470	Employee rights issue: 4,267,470 shares issued to the Group Savings Plan (€36.48 per share)
12-05	€1,381,025,080	345,256,270	Issuance of 800 shares on exercise of the same number of options
06-06	€1,402,622,244	350,655,561	Employee rights issue: 5,399,291 shares issued to the Group Savings Plan (€40.84 per share)
12-06	€1,403,992,444	350,998,111	Issuance of 342,550 shares on exercise of the same number of options
12-06	€1,473,678,892	368,419,723	Issuance of 17,421,612 shares on conversion of 4,355,403 Oceane bonds
01-07	€1,474,063,692	368,515,923	Issuance of 96,200 shares on conversion of 21,100 Oceane bonds and 11,800 shares on exercise of the same number of options
05-07	€1,479,834,028	369,958,507	Employee rights issue: 1,442,584 shares issued to the Group Savings Plan (€61.68 per share)
06-07	€1,481,310,428	370,327,607	Issuance of 369,100 shares on exercise of the same number of options
06-07	€1,495,466,528	373,866,632	Employee rights issue: 3,539,025 shares issued to the Group Savings Plan (€58.05 per share)
07-07	€1,495,596,528	373,899,132	Issuance of 32,500 shares on exercise of the same number of options
08-07	€1,495,726,928	373,931,732	Issuance of 32,600 shares on exercise of the same number of options
09-07	€1,495,773,328	373,943,332	Issuance of 11,600 shares on exercise of the same number of options
10-07	€1,495,789,428	373,947,357	Issuance of 4,025 shares on exercise of the same number of options
11-07	€1,495,959,828	373,989,957	Issuance of 42,600 shares on exercise of the same number of options
12-07	€1,496,864,608	374,216,152	Issuance of 226,195 shares on exercise of the same number of options
05-08	€1,529,956,396	382,489,099	Employee rights issue: 8,272,947 shares issued to the Group Savings Plan (€51.75 per share)
12-08	€1,530,287,940	382,571,985	Issuance of 82,886 shares on exercise of the same number of options
03-09	€1,962,356,788	490,589,197	Allocation of 382,571,985 stock warrants exercisable on the basis of seven warrants for two new shares at a price of €14 per share
05-09	€1,996,350,296	499,087,574	Employee rights issue: 8,498,377 shares issued to the Group Savings Plan (€15.80 per share)
06-09	€2,051,573,976	512,893,494	Dividend reinvestment program: issuance of 13,805,920 shares (€22.83 per share)
12-09	€2,051,724,064	512,931,016	Issuance of 37,522 shares on exercise of the same number of options

Financial authorizations

At the Annual General Meeting of June 4, 2009, the Board of Directors was given the following financial authorizations:

- Authorization to buy back (and resell) Saint-Gobain shares representing up to 10% of total shares outstanding at the date of the Meeting, at a maximum price of €50 per share. This authorization is valid until December 2010.

- Authorization to issue warrants while a takeover bid for the company is in progress. The aggregate par value of shares issued on conversion of the warrants may not exceed €490 million. This authorization is valid until December 2010.

- Authorizations valid until August 2011:
  - Authorization to cancel all or some of the shares acquired under shareholder-approved buyback programs, up to a maximum of 10% of outstanding shares in any 24-month period and to reduce the capital accordingly.
  - Authorization to issue shares, warrants and/or securities convertible, redeemable or otherwise exercisable for shares, with pre-emptive subscription rights for existing shareholders. The aggregate par value of shares issued under the authorization is capped at €780 million and the aggregate nominal value of debt securities at €3,000 million.
  - Authorization to issue shares, warrants and/or securities convertible, redeemable or otherwise exercisable for shares, without pre-emptive subscription rights but with a priority subscription period for existing shareholders. The aggregate par value of shares issued under the authorization is capped at €295 million and the aggregate nominal value of debt securities at €1,500 million. The authorization may also be used to issue shares on conversion, redemption or exercise of securities issued by subsidiaries and the Board of Directors may increase the number of securities to be issued by a maximum of 15% if an issue is oversubscribed.
  - Authorization to issue shares in payment for shares or share equivalents of another company. The number of shares issued under this authorization may not exceed the equivalent of 10% of the issued capital.
  - Authorization to increase the capital by up to €95 million by capitalizing additional paid-in capital, reserves, income or other eligible items.
  - The amounts specified in these four authorizations are not cumulative.

- Authorization to issue up to €95 million worth of shares (excluding premiums) to the Group Savings Plan. The shares may not be offered at a discount of more than 20% on the average of the prices quoted for the Company's shares over the twenty trading days preceding the Board's decision.

- Authorizations valid until August 2012:
  - Authorization to grant stock options to employees and officers, exercisable at a price at least equal to the average of the prices quoted for the Company's shares over the twenty trading days preceding the Board's decision. The options may not be exercisable for shares representing more than 3% of the capital.
  - Authorization to make stock grants representing the equivalent of up to 1% of the capital.
  - The 3% ceiling on stock options and the 1% ceiling on stock grants are not cumulative.

In 2009, the following five authorizations were used:

- Share buybacks and sales: 215,304 shares were sold on exercise of stock options granted in prior periods.
- Group Savings Plan: 8,498,377 shares were issued under the plan.
- Stock options: 1,479,460 options were granted.
- Stock grants: an estimated 1,675,506 shares were allocated under stock grant plans.
- Share issue with pre-emptive subscription rights: 108,017,212 shares were issued.

Information that could have a bearing on a takeover bid

French legislation adopted in application of the European takeover directive stipulates that the annual report must include any information that could have a bearing on a takeover bid. In the case of Saint-Gobain, the disclosures required under this legislation at December 31, 2009 are as follows:

- As explained above, the Board of Directors has been authorized by shareholders to issue stock warrants exercisable for up to €490 million worth of shares (excluding premiums) while a takeover bid for the Company is in progress. The current authorization expires in December 2010.
- In the case of a change of control of Compagnie de Saint-Gobain:
  - The U.S. subsidiaries' deferred compensation and defined benefit pension plans would be terminated immediately and the rights of beneficiaries would become due within twelve months. The total potential cost was USD 144.5 million at December 31, 2009.
  - The bonds issued by the Company since 2006 could become redeemable and accrued interest on the bonds could become immediately due under certain conditions. The issues concerned by these acceleration clauses are the two tranches of the May 2006 €1,800 million issue, the two tranches of the November 2006 £600 million issue, the November 2006 CZK 1,000 million issue, the two tranches of the April 2007 €2,500 million issue, the September 2008 €750 million issue, the January 2009 €1,000 million issue, the May 2009 €750 million issue and the June 2009 €200 million issue.
  The agreements relating to the syndicated lines of credit for general corporate purposes set up in November 2004 (€2,000 million) and June 2009 (€2,500 million) as well as a €155 million bank loan all contain change of control clauses.

Group Savings Plan

The Group Savings Plan (Plan d'Epargne Groupe—"PEG") is a key feature of the social contract within the Group. It represents an excellent means of giving employees a stake in the Group's success and profits.

In 2009, 8,498,377 shares were issued under a standard plan with a five or ten-year lock-up, for a total of €134 million after skimming off 1.25% of the subscriptions (2008: 4,073,045 shares and €169 million). No shares were issued under a leveraged plan in 2009 whereas 4,199,902 shares were issued under this type of plan in 2008 for a total of €185 million.

In France, 48% of employees invested in the PEG through corporate mutual funds (Fonds Communs de Placement d'Entreprise—"FCPE"). With employees in twenty-five other European countries and sixteen countries outside Europe also given the opportunity to take part, in all, over 37,000 employees invested in the PEG in 2009.

At December 31, 2009, the corporate mutual funds held 7.6% of the Company's capital and 9.6% of the voting rights.

A new non-leveraged plan has been launched since the beginning of 2010, giving employees the opportunity to acquire up to 5 million shares with a five or ten-year lock-up.

Stock option and stock grant plans—principles and rules decided by the Board of Directors

Stock option plans have been set up by the Board of Directors every year since 1987. The option exercise periods for the plans set up between 1987 and 1999 have expired, meaning that these plans are now terminated.
The decision to grant stock options is made by the Board based on the recommendation of the Appointments Committee. The members of this Committee in 2009 were Jean-Martin Folz (Chairman), Bernard Gautier, Sylvia Jay and Jean-Cyril Spinetta.
Options granted under the 2003-2007 plans were exercisable for new shares, while those granted under the 1997-2002 plans were exercisable for existing shares purchased into treasury for this purpose.
For the 2008 plan, the Board decided that the origin of the shares (new shares or treasury stock) would be determined at the latest on the day preceding the start of the exercise period. If any options were to be exercised before the Board made its decision, the grantees would receive new shares.

Since 1999, the option exercise price has been based on a benchmark average price without any discount.
In November 2009, the Board of Directors set up the following two plans:

International Performance Share Plan

This plan has been set up for all employees and officers of the Saint-Gobain Group as of November 19, 2009 who had served in that quality since at least October 31, 2009. It awarded each grantee seven performance shares that will be delivered at the end of the vesting period. For eligible employees and officers in France, Spain and Italy, the vesting period will end on March 29, 2012 but will be followed by a two-year lock-up period, such that the shares may not be sold until March 31, 2014. For eligible employees and officers in other countries, the vesting period will end on March 30, 2014 and the shares will be delivered on March 31, 2014, with no lock-up period.

In both cases, the performance shares will vest only if both of the following conditions are met: (i) the average rate of growth in the Group's consolidated operating income (excluding the Packaging Sector) for the years 2010 and 2011 exceeds 10% and (ii) the grantee has been an employee or corporate officer of a Saint-Gobain company throughout the entire vesting period, barring specific cases such as death, disability, no-fault dismissal, mutually-agreed contract termination, retirement, intra-Group mobility, or sale of the grantee's host company to an external entity.

Combined Stock Option/ Performance Share Plan

This plan—which replaces the above-mentioned annual stock option plans—has been set up for 1,701 grantees corresponding to high-potential managers and managers who have performed exceptionally well (329 grantees), the key corporate and line executives in the Sectors and Delegations (1,334 grantees), members of the Group Coordination Committee excluding the senior executive team (29 grantees) and Group Executive Management (9 grantees). In all, the grantees are of 47 different nationalities based in 52 different countries.

The plan involves a total of 1,479,460 stock options and 622,790 performance shares. Except for the Chief Executive Officer(1), who only received options, the grantees under the plan all received both stock options and performance shares with the ratio of shares to options inversely proportional to their level of responsibility within the Group.

The vesting and lock-up periods applicable to the performance shares and the seniority conditions applicable both to the options and performance shares are equivalent to those for the International Performance Share Plan.

The applicable performance conditions are as follows:

- For the stock options: the options may be exercised four years after their grant date and the expiry date of the exercise period is ten years following the grant date. However, the options will only vest and therefore be exercisable if the Group's return on capital employed (ROCE)—excluding the Packaging Sector—equals at least 7%, 10% and 13% for 2010, 2011 and 2012 respectively. One-third of the options will vest if the ROCE target is met or exceeded in only one of the three years, two-thirds if the target is met or exceeded in two of the three years and all of the options if the target is met or exceeded in all three years. If the target is not met in any of the three years, none of the options will vest.
- For the performance shares: the shares will only be delivered at the end of the vesting period(2) if the Group's ROCE (excluding the Packaging Sector) equals at least 7% and 10% for 2010 and 2011 respectively. If the ROCE target is met or exceeded in only one of the two years, only half of the performance shares will vest. If the ROCE target is not met in either year, no performance shares will vest. The total number of performance shares will vest only if the ROCE target is met in both years.

As for the 2008 plan, the Board decided that the origin of the shares allocated on exercise of the stock options (new shares or treasury stock) will be determined at the latest on the day preceding the start of the exercise period. If any options are exercised before the Board makes its decision, the grantees will receive new shares.

The exercise price of the options granted in November 2009 was set at €36.34.

Lastly, in application of Article L.225-185 of the French Commercial Code, the Board has decided—pursuant to a recommendation by the Appointments Committee—that 50% of the net capital gain (after deducting payroll taxes and other personal taxes) realized by the Chief Executive Officer on the sale of shares acquired upon exercise of the November 2009 options must be reinvested in Saint-Gobain shares until such time as he leaves office.
This obligation will cease to apply if and when the total number of Saint-Gobain shares held by the Chief Executive Officer represents the equivalent of five years of his fixed compensation.

There are no other stock options plans in progress and no other options on the shares of French or foreign listed or unlisted Group companies.

(1) The Chairman of the Board of Directors is not a grantee under this plan.
(2) In France, Spain and Italy, a two-year lock-up period applies following the expiry of the vesting period..

Transactions in Compagnie de Saint-Gobain securities

In 2009, the Company's corporate officers disclosed the following transactions in Saint-Gobain securities to the AMF:

	Type of securities	Type of transaction	Transaction date	Unit price *(in €)*	Total amount *(in €)*
M. Jean-Louis BEFFA	Stock warrants	Sale	February 24, 2009	1.5842	118,815
	Stock warrants	Sale	February 26, 2009	1.4	82,600
	Stock warrants	Sale	March 3, 2009	1.1	62,868.30
	Shares	Purchase of existing shares on exercise of stock options	October 15, 2009	34.11	341,100
	Shares	Sale	October 15, 2009	39.5	395,000
Mme Isabelle BOUILLOT	Stock warrants	Sale	March 3, 2009	1.121	3.36
M. Pierre-André de CHALENDAR	Shares	Purchase of new shares	March 23, 2009	14	320,992
M. Bernard CUSENIER	Stock warrants	Sale	March 6, 2009	0.745	1.49
	Shares	Purchase of new shares	March 9, 2009	14	3,192
	Shares	Purchase of new shares	March 29, 2009	15.8	19,096
	Shares	Dividend reinvestment	July 2, 2009	22.83	6,027.12
M. Jean-Martin FOLZ	Shares	Purchase of new shares	March 6, 2009	14	4,816
	Shares	Dividend reinvestment	July 2, 2009	22.83	1,370
M. Bernard GAUTIER	Shares	Purchase of new shares	March 28, 2009	14	3,220
		Dividend reinvestment	July 2, 2009	22.83	890.37
Mme Sylvia JAY	Shares	Purchase of new shares	March 4, 2009	14	3,226.23
M. Jean-Bernard LAFONTA	Shares	Purchase of new shares	March 28, 2009	14	3,192
M. Frédéric LEMOINE	Shares	Purchase of existing shares	July 31, 2009	28.26	22,608
M. Gérard MESTRALLET	Shares	Purchase of new shares	April 7, 2009	14	3,360
M. Michel PEBEREAU	Shares	Purchase of new shares	March 23, 2009	14	3,276
M. Gilles SCHNEPP	Shares	Purchase of existing shares	July 27, 2009	27.255	21,804

Share buybacks

No shares were bought back directly on the market in 2009. A total of 215,304 Saint-Gobain shares were sold during the year to stock option grantees exercising their options, for an aggregate amount of €7 million.

No shares were cancelled during the year.

Article L.225-209 of the French Commercial Code also requires disclosure of the number of shares held in treasury. At December 31, 2009, 3,948,609 shares representing 0.77% of the capital were held in treasury for allocation on exercise of stock options, as follows:

Plan	Number of shares	Exercise price *(in €)*
2000	944,230	40,341,913
2001	1,876,717	83,438,443
2002	1,127,662	60,058,737

Shares held in treasury at December 31, 2009 were acquired at an average cost of €46.56 and shares sold during the year on exercise of stock options were acquired at an average cost of €45.48.

In November 2007, the Company entered into a liquidity agreement with Exane. As required by French securities regulations, the agreement complies with the code of ethics issued by the Association Française des Entreprises d'Investissement that was approved by the French securities regulator ("AMF") on March 25, 2005. Under the terms of the agreement, Exane is mandated to maintain a liquid market in Compagnie de Saint-Gobain shares and ensure that prices are regularly quoted for the shares, so as to avoid price fluctuations that are not justified by market trends.

When the agreement came into effect on December 3, 2007 Compagnie de Saint-Gobain deposited €50 million in the liquidity account, which was reduced to €30 million on May 27, 2009. At December 31, 2009, 255,790 Saint-Gobain shares were held in the account along with €18,950,984 in cash.

Information policy and financial calendar

INFORMATION POLICY

The Investor Relations Department is responsible for implementing the Group's information policy with the financial community, investors and shareholders. The head of Investor Relations is Florence Triou-Teixeira (Phone: +33 (0) 1 47 62 33 33 – Fax: +33 (0) 1 47 62 50 62). The Department answers requests for information about the Group and issues regular Shareholder Newsletters and the Shareholders' Guide. These documents can be obtained from:

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

The Company organized several meetings with shareholders in France during 2009, in Rennes in May, Montpellier in June, Annecy and Nice in November and Tours in December. A meeting was also held during the Salon Actionaria fair in Paris in November, representing the twelfth year in a row that the Company has taken part in the fair. In addition to the annual and interim results presentations to analysts and journalists in Paris and London in February and July, many other information meetings are organized in the European financial centers where Saint-Gobain shares are listed, as well as in the United States.

Detailed information about the Group and its businesses, and webcasts of analyst meetings are available on the Saint-Gobain website:

www.saint-gobain.com

The Investor Relations team can be contacted by e-mail at the following address:

actionnaires@saint-gobain.com

Compagnie de Saint-Gobain also makes additional services available to holders of registered shares through its registrar, BNP Paribas, to improve the management of their shares. For more information, contact the Investor Relations Department or:

BNP Paribas
Grands Moulins de Pantin
GIS - ÉMETTEURS
F-75450 PARIS CEDEX 09
By phone: Toll free number 0 800 03 33 33
(calls originating in France only)
By fax: Toll free number 0 800 77 25 85
(calls originating in France only)

2010 FINANCIAL CALENDAR

2009 final results:
February 25, after the market closes

First quarter net sales
April 22, after the market closes

Annual General Meeting:
June 3 at 3:00 p.m. at Palais des Congrès (Porte Maillot), Paris 17

Dividend:
Record date: June 8
Ex-dividend date: June 9
Period for exercising dividend reinvestment option: June 9 to 23
Dividend payment date: July 2

First-half results:
July 29, after the market closes

Net sales for the first nine months:
October 25, after the market closes

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Compagnie de Saint-Gobain complies with the principles of corporate governance set out in the AFEP-MEDEF corporate governance code for publicly listed companies in France.

Membership of the Board of Directors

Details of the members of the Board of Directors of Compagnie de Saint-Gobain are as follows:
The following information is correct as of February 1, 2010.

Jean-Louis BEFFA
Chairman of the Board of Directors of Compagnie de Saint-Gobain

Jean-Louis Beffa, 68, is also Vice-Chairman of the Board of Directors of BNP Paribas, a director of GDF Suez and of Groupe Bruxelles Lambert, a member of the Supervisory Board of Siemens AG, Le Monde S.A. and Société Éditrice du Monde S.A., Chairman 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 Corporation. He is also co-Chairman of the *Centre Cournot pour la Recherche en Économie* and Vice-Chairman of the Supervisory Board of *Fonds de Réserve des Retraites*. He owns 240,153 Saint-Gobain shares.
Business address: Les Miroirs—92096 La Défense Cedex (France)

Isabelle BOUILLOT
Chairman of China Equity Links

Isabelle Bouillot, 60, is also a director of Umicore, Managing Partner of IB Finance and an observer on the Board of Directors of Dexia. She owns 1,542 Saint-Gobain shares.
Business address: 42 rue Henri Barbusse—75005 Paris (France)

Pierre-André de CHALENDAR
Chief Executive Officer of Compagnie de Saint-Gobain

Pierre-André de Chalendar, 51, was appointed Chief Operating Officer of Compagnie de Saint-Gobain by the Board of Directors on May 3, 2005 and was elected to the Board by the Annual General Meeting of June 8, 2006, becoming Chief Executive Officer on June 7, 2007. He is also a director of Veolia Environnement. Within the Saint-Gobain Group, he is a director of Saint-Gobain Corporation and GIE SGPM Recherche. He owns 103,174 Saint-Gobain shares.
Business address: Les Miroirs—92096 La Défense Cedex (France)

Robert CHEVRIER
Chairman of Société de Gestion Roche Inc.

Robert Chevrier, 66, a Canadian citizen, is also Chairman of the Board of Directors of Quincaillerie Richelieu Inc., Chairman of the Board and a member of the Audit Committee of the Pension Fund Society of the Bank of Montreal, Lead Director and Chairman of the Compensation and Human Resources Committee of CGI Inc. and Lead Director and Chairman of the Audit Committee of Cascades Inc. He owns 1,000 Saint-Gobain shares.
Business address: 200 avenue des Sommets, Suite 2001, Ile des Soeurs—Verdun—Quebec (Canada H3E 2B4)

Gerhard CROMME
Chairman of the Supervisory Board of ThyssenKrupp AG

Gerhard Cromme, 66, a German citizen, is also a member of the Supervisory Board of Allianz SE and Axel-Springer AG, and Chairman of the Supervisory Board of Siemens AG. He owns 800 Saint-Gobain shares.
Business address: August Thyssen Strasse 1—D40211 Düsseldorf (Germany)

Bernard CUSENIER
Chairman of the Association of Saint-Gobain employee shareholders and former-employee shareholders and Chairman of the Supervisory Board of the Saint-Gobain PEG France corporate mutual fund

Bernard Cusenier, 63, is also Chief Operating Officer of Saint-Gobain Eurocoustic. He owns 1,080 Saint-Gobain shares.
Business address: Saint-Gobain Eurocoustic—7 Place de Saverne—92415 Courbevoie Cedex (France)

Jean-Martin FOLZ
Chairman of AFEP

Jean-Martin Folz, 63, former Chairman of the Managing Board of Peugeot S.A., is also a director of Société Générale, Alstom, Carrefour and Solvay and a member of the Supervisory Board of AXA and ONF Participations SAS. He owns 1,604 Saint-Gobain shares.
Business address: 11 avenue Delcassé—75008 Paris (France)

Bernard GAUTIER
Member of the Managing Board of Wendel

Bernard Gautier, 50, is also Chairman of Winvest International SA SICAR, Chairman of the Management Advisory Board of Winvest Conseil, a member of the Supervisory Board of Legron BV and Materis Parent, a director of Communication Media Partner, Stahl Holdings BV and Stahl Group BV, Trief Corporation and Wendel Japan KK, a member of the Supervisory Board of Altineis, Legal Manager of BG Invest, BJPG Conseil, SCI La République, La Cabine Saint-Gautier, BJPG Participations, BJPG Assets and Sweet Investment Ltd, and a member of the Management Committee of Deutsch Group SAS. He owns 1,069 Saint-Gobain shares.
Business address: 89 rue Taitbout—75009 Paris (France)

Yuko HARAYAMA
Professor at Tohoku University (Japan)

Yuko Harayama, 58, a Japanese citizen, does not hold any other directorships. She owns 800 Saint-Gobain shares.
Business address: Tohoku University
6-6-11-805 Aoba, Aramaki, Aoba-ku, Sendai, 980-8579 (Japan)

Sylvia JAY
Vice-Chairman of L'Oréal UK

Lady Jay, 63, a British citizen, is also a director of Alcatel Lucent and Lazard Limited, Chairman of the Pilgrim Trust and a Trustee of the Entente Cordiale Scholarship Scheme, the Prison Reform Trust and The Body Shop Foundation. She owns 800 Saint-Gobain shares.
Business address: 255 Hammersmith Road—London W6 8 AZ (United Kingdom)

Frédéric LEMOINE
Chairman of the Managing Board of Wendel

Frédéric Lemoine, 44, is also Chairman of the Supervisory Board of Oranje-Nassau Groep BV, Chairman of the Board of Directors of Trief Corporation, Vice-Chairman of the Board of Directors of Bureau Véritas, a director of Flamel Technologies, Groupama and Legrand, and Chairman of Winbond SAS. He owns 800 Saint-Gobain shares.
Business address: 89 rue Taitbout—75009 Paris (France)

Gérard MESTRALLET
Chairman and Chief Executive Officer of GDF Suez

Gérard Mestrallet, 60, is also a member of the Supervisory Board of AXA and a director of Pargesa Holding S.A. Within the GDF Suez Group, Mr. Mestrallet is Chairman of the Board of Directors of GDF Suez Energie Services, Suez Environment Company, Suez Tractebel (Belgium), Hisusa (Spain) and Vice-Chairman of Electrabel and Sociedad General de Aguas de Barcelona. He owns 840 Saint-Gobain shares.
Business address: 22 rue du Docteur Lancereaux—75008 Paris (France)

Michel PÉBEREAU
Chairman of the Board of Directors of BNP Paribas

Michel Pébereau, 68, is also a director of Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Suisse, a member of the Supervisory Board of AXA and *Banque Marocaine pour le Commerce et l'Industrie*, and a non-voting director of Galeries Lafayette. He is also Chairman of the *Commission Banque d'Investissement et de Marchés de la Fédération Bancaire Française*, President of *Institut de l'Entreprise*, Chairman of the Management Board of *Institut d'Études Politiques de Paris* and of the Supervisory Board of *Institut Aspen France*, a member of the *Académie des Sciences Morales et Politiques*, the *Haut Conseil de l'Éducation*, the Executive Council of the MEDEF, the *Institut International d'Études Bancaires*, the European Financial Round Table, 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 Leader's Advisory Council for the Mayor of Shanghai. He owns 1,100 Saint-Gobain shares.
Business address: 3 rue d'Antin—75002 Paris (France)

Denis RANQUE
Company Director

Denis Ranque, 58, is also a director of CMA-CGM and Chairman of the Board of Directors of Mines Paris Tech, the *Cercle de l'Industrie* and the *Association Nationale de la Recherche et de la Technologie*. He owns 800 Saint-Gobain shares.
Business address: 45, rue de Villiers—92526 Neuilly-sur-Seine Cedex (France)

Gilles SCHNEPP
Chairman and Chief Executive Officer of Legrand

Gilles Schnepp, 51, is also Chairman and Chief Executive Officer, Chairman of the Board of Directors and Chairman of the Supervisory Board of various Legrand group subsidiaries. He owns 800 Saint-Gobain shares.
Business address: 128 avenue du Maréchal de Tassigny—87045 Limoges Cedex (France)

Jean-Cyril SPINETTA
Chairman of the Board of Directors of Air France and Air France-KLM and Chairman of the Supervisory Board of Areva

Jean-Cyril Spinetta, 66, is also a director of Alcatel Lucent. He owns 1,076 Saint-Gobain shares.
Business address: 45, rue de Paris—95747 Roissy-Charles-de-Gaulle Cedex (France)

Board Secretary: **Bernard FIELD**,
Corporate Secretary of Compagnie de Saint-Gobain

Membership of the Board of Directors

On the recommendation of the Appointments Committee, the Board of Directors conducted a new review of each director's situation in relation to the independence criteria set out in the AFEP-MEDEF corporate governance code for publicly listed companies. Based on this review, the Board concluded that all of these criteria were met by seven of the sixteen directors—Isabelle Bouillot, Robert Chevrier, Jean-Martin Folz, Yuko Harayama, Sylvia Jay, Denis Ranque and Jean-Cyril Spinetta—and that these seven directors could therefore be qualified as independent. This is one less director than recommended in the corporate governance code, due to the presence on the Board of three directors representing Wendel, which owns 17.5% of the Company's capital.

One seat on the Board is held by a representative of employee shareholders (Bernard Cusenier) but there are no directors elected by employees or non-voting directors.

The Company's bylaws stipulate that each director must hold at least 800 shares.

Re-election of Directors

The dates on which the current directors were first elected to the Board and the starting dates of their current terms are as follows:

Jean-Louis Beffa	February 1987	June 2008
Michel Pébereau	June 1993	June 2009
Gérard Mestrallet	November 1995	June 2007
Isabelle Bouillot	June 1998	June 2008
Jean-Martin Folz	March 2001	June 2009
Sylvia Jay	June 2001	June 2008
Denis Ranque	June 2003	June 2007
Gerhard Cromme and Jean-Cyril Spinetta	June 2005	June 2009
Pierre-André de Chalendar	June 2006	June 2006
Bernard Cusenier	September 2006	June 2007
Robert Chevrier and Yuko Harayama	June 2007	June 2007
Bernard Gautier	June 2008	June 2008
Frédéric Lemoine	April 2009	June 2009
Gilles Schnepp	June 2009	June 2009

Directors are elected for four-year terms, in accordance with the shareholders' decision taken at the Annual General Meeting of June 5, 2003.

The current directors' terms expire as follows:
- Pierre-André de Chalendar: 2010 Annual General Meeting.
- Robert Chevrier, Bernard Cusenier, Yuko Harayama, Gérard Mestrallet and Denis Ranque: 2011 Annual General Meeting.
- Jean-Louis Beffa, Isabelle Bouillot, Bernard Gautier, Sylvia Jay and Frédéric Lemoine: 2012 Annual General Meeting
- Gerhard Cromme, Jean-Martin Folz, Michel Pébereau, Gilles Schnepp and Jean-Cyril Spinetta: 2013 Annual General Meeting.

At its meeting of February 25, 2010, the Board of Directors of Saint-Gobain unanimously decided to recommend to the Annual General Meeting on June 3, 2010 the renewal of the term of office as director of Pierre-André de Chalendar, Chief Executive Officer, which expires at that date.

Jean-Louis Beffa's term as Chairman of the Board of Directors will expire at the close of the Annual General Meeting, in application of the age limit stipulated in the Company's bylaws.

The Board of Directors unanimously agreed that the positions of Chairman and Chief Executive Officer should once again be combined. The Board therefore intends to appoint Pierre-André de Chalendar as Chairman and Chief Executive Officer of Saint-Gobain immediately after the Annual General Meeting of June 3, 2010, on condition that his term of office as director is renewed by the shareholders.

Pierre-André de CHALENDAR
Chief Executive Officer

Biography

Born in April 1958, a graduate of the ESSEC Business School and of École Nationale d'Administration (ENA) and a former senior civil servant (Inspecteur des Finances), Pierre-André de Chalendar joined Compagnie de Saint-Gobain on November 1, 1989 as Vice-President, Corporate Planning.

Director of the Abrasives Division in Europe between 1992 and 1996, Director of the worldwide Abrasives Division from 1996 to 2000, he went on to become the General Delegate for the United Kingdom and Republic of Ireland from 2000 to 2002. In 2003, Pierre-André de Chalendar was appointed Senior Vice-President of Compagnie de Saint-Gobain in charge of the Building Distribution Sector.

Appointed Chief Operating Officer of Compagnie de Saint-Gobain in May 2005 and elected to the Board in June 2006, he has been Chief Executive Officer since June 7, 2007.

He is also director of Veolia Environnement. Within the Saint-Gobain Group, he is a director of Saint-Gobain Corporation and of GIE SGPM Recherche.

He owns 103,174 Saint-Gobain shares.

Les Miroirs – 92096 La Défense Cedex

Other directorships and positions held by members of the Compagnie de Saint-Gobain Board of Directors

Director's name and current main position (as of February 1, 2010)	2009	2008	2007	2006	2005
Jean-Louis BEFFA Chairman of the Board of Directors of Compagnie de Saint-Gobain	• Chairman of the Board of Directors of Compagnie de Saint-Gobain • Vice-Chairman of the Board of Directors of BNP Paribas • Director of GDF Suez and Groupe Bruxelles Lambert • Member of the Supervisory Board of Siemens AG, Le Monde S.A. and Société Éditrice du Monde S.A. • Chairman of Claude Bernard Participations SAS • Member of the Supervisory Board of Le Monde & Partenaires Associés SAS • Within the Saint-Gobain Group, a director of Saint-Gobain Corporation • Co-Chairman of Centre Cournot pour la Recherche en Économie and Vice-Chairman of the Supervisory Board of Fonds de Réserve des Retraites	• Chairman of the Board of Directors of Compagnie de Saint-Gobain • Vice-Chairman of the Board of Directors of BNP Paribas • Director of GDF Suez and Groupe Bruxelles Lambert • Member of the Supervisory Board of Siemens AG, Le Monde S.A. and Société Éditrice du Monde SA • Chairman of Claude Bernard Participations SAS • Member of the Supervisory Board of Le Monde Partenaires SAS • Within the Saint-Gobain Group, a director of Saint-Gobain Corporation and Saint-Gobain Cristaleria • Co-Chairman of Centre Cournot pour la Recherche en Économie and Vice-Chairman of the Supervisory Board of Fonds de Réserve des Retraites	• 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 Groupe Bruxelles Lambert • Member of the Supervisory Board of Le Monde S.A. and Société Éditrice du Monde S.A. • Chairman of Claude Bernard Participations SAS • Member of the Supervisory Board of Le Monde Partenaires SAS • Within the 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 • Co-Chairman of Centre Cournot pour la Recherche en Économie and Vice-Chairman of the Supervisory Board of Fonds de Réserve des Retraites	• 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 Groupe Bruxelles Lambert • Member of the Supervisory Board of Le Monde S.A. and Société Éditrice du Monde S.A. • Chairman 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 Agence de l'Innovation Industrielle, Co-Chairman of Centre Cournot pour la Recherche en Économie and Vice-Chairman of the Supervisory Board of Fonds de Réserve des Retraites	• 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 Groupe Bruxelles Lambert • Member of the Supervisory Board of Le Monde S.A. and Société Éditrice du Monde S.A. • Chairman 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 Agence de l'Innovation Industrielle, Co-Chairman of Centre Cournot pour la Recherche en Économie and Vice-Chairman of the Supervisory Board of Fonds de Réserve des Retraites
Isabelle BOUILLOT Chairman of China Equity Links	• Chairman of China Equity Links • Director of Accor and Umicore • Managing Partner of IB Finance • Observer on the Board of Directors of Dexia	• Chairman of China Equity Links • Director of Accor and Umicore • Managing Partner of IB Finance	• Chairman of China Equity Links • Director of Accor and Umicore • Managing Partner of IB Finance	• Chairman of China Equity Links • Director of Accor and Umicore • Managing Partner of IB Finance	• Managing Partner of IB Finance • Director of Accor and Umicore
Pierre-André de CHALENDAR Chief Executive Officer of Compagnie de Saint-Gobain	• Chief Executive Officer of Compagnie de Saint-Gobain • Within the Saint-Gobain Group, a director of Saint-Gobain Corporation and the SGPM Recherche inter-company partnership	• Chief Executive Officer of Compagnie de Saint-Gobain • Within the Saint-Gobain Group, a director of Saint-Gobain Corporation and SG Distribution Nordic AB	• Chief Operating Officer of Compagnie de Saint-Gobain then Chief Executive Officer • Director of Saint-Gobain Corporation, SG Aldwych, BPB and SG Distribution Nordic AB	• Chief Operating Officer of Compagnie de Saint-Gobain • Director of Saint-Gobain Corporation, SG Aldwych, BPB and SG Distribution Nordic AB	
Robert CHEVRIER Chairman of Société de Gestion Roche Inc.	• Chairman of Société de Gestion Roche Inc. • Chairman of the Board of Directors of Quincaillerie Richelieu Inc. • Chairman of the Board and a member of the Audit Committee of The Pension Fund Society of the Bank of Montreal • Lead Director and Chairman of the Compensation and Human Resources Committee of CGI Inc. • Lead Director and Chairman of the Audit Committee of Cascades Inc.	• Chairman of Société de Gestion Roche Inc. • Chairman of the Board of Directors of Quincaillerie Richelieu Inc. • Chairman of the Board and a member of the Audit Committee 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 Board of Directors of Quincaillerie Richelieu Inc. • Chairman of the Board and a member of the Audit Committee 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.		

Director's name and current main position (as of February 1, 2010)	2009	2008	2007	2006	2005
Gerhard CROMME Chairman of the Supervisory Board of ThyssenKrupp AG and Siemens	• Chairman of the Supervisory Board of ThyssenKrupp AG • Member of the Supervisory Board of Allianz SE and Axel Springer AG • Chairman of the Supervisory Board of Siemens AG	• Chairman of the Supervisory Board of ThyssenKrupp AG • Member of the Supervisory Board of Allianz SE and Axel Springer AG • Chairman of the Supervisory Board of Siemens AG	• 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 S.A. and Suez S.A.	• 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 S.A. and Suez S.A.	
Bernard CUSENIER Chief Operating Officer of SG Eurocoustic	• Chief Executive Officer of SG Ecophon S.A. and Chief Operating Officer of SG Eurocoustic • Chairman of the Association of Saint-Gobain employee shareholders and former-employee shareholders • Chairman of the Supervisory Board of the Saint-Gobain PEG France corporate mutual fund	• Chief Executive Officer of SG Ecophon SA and Chief Operating Officer of SG Eurocoustic • Chairman of the Association of Saint-Gobain employee shareholders and former-employee shareholders • Chairman of the Supervisory Board of the Saint-Gobain PEG France corporate mutual fund	• Chairman of the Association of Saint-Gobain employee shareholders and former-employee shareholders • Chairman of the Supervisory Board of the SG Avenir corporate mutual fund		
Jean-Martin FOLZ Chairman of AFEP	• Chairman of AFEP • Director of Société Générale, Alstom and Solvay • Member of the Supervisory Board of AXA and Carrefour	• Chairman of AFEP • Director of Société Générale, Alstom, Carrefour and Solvay • Member of the Supervisory Board of AXA	• Chairman of the Managing Board of Peugeot S.A. • Chairman of the Board of Directors of Automobiles Peugeot and Automobiles Citroën • Director of Solvay, Banque PSA Finance, Peugeot Citroën Automobiles and Faurecia	• Chairman of the Managing Board of Peugeot S.A. • Chairman of the Board of Directors of Automobiles Peugeot and Automobiles Citroën • Director of Solvay, Banque PSA Finance, Peugeot Citroën Automobiles and Faurecia	
Bernard GAUTIER Member of the Managing Board of Wendel	• Member of the Managing Board of Wendel • Chairman of Winvest International SA SICAR • Chairman of the Management Advisory Board of Winvest Conseil • Director of Communication Media Partner, Stahl Holdings BV and Stahl Group BV, Trief Corporation and Wendel Japan KK • Member of the Management Committee of Deutsch Group SAS • Member of the Supervisory Board of Altineis (SCIP) • Legal Manager of BG Invest, BJPG Conseil, SCI La République, La Cabane Saint-Gautier, BJPG Participations, BJPG Assets and Sweet Investment Ltd	• Member of the Managing Board of Wendel • Vice-Chairman of the Supervisory Board of Editis Holding • Director of Communication Media Partner, Stahl Holdings BV and Stahl Group BV and Winvest International SA SICAR • Legal Manager of Winvest Conseil • Member of the Supervisory Board of Altineis, Altineis 2, Altineis 3, Legal Manager of BG Invest, BJPG Conseil, SCI La République and La Cabine Saint-Gautier			
Yuko HARAYAMA Professor at Tohoku University (Japan)	• Professor at Tohoku University (Japan)	• Professor at Tohoku University (Japan)			
Sylvia JAY Vice-Chairman of L'Oréal UK	• 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, the Prison Reform Trust and The Body Shop Foundation	• 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, the Prison Reform Trust and The Body Shop Foundation	• 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	• 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	• 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

Director's name and current main position (as of February 1, 2010)	2009	2008	2007	2006	2005
Frédéric LEMOINE Chairman of the Managing Board of Wendel	• Chairman of the Managing Board of Wendel • Chairman of the Supervisory Board of Oranje-Nassau Groep BV • Chairman of the Board of Directors of Trief Corporation • Vice-Chairman of the Board of Directors of Bureau Véritas • Director of Flamel Technologies, Groupama and Legrand • Chairman of Winbond SAS				
Gérard MESTRALLET Chairman and Chief Executive Officer of GDF Suez	• Chairman and Chief Executive Officer of GDF Suez • Member of the Supervisory Board of AXA • Director of Pargesa Holding • Chairman of the Board of Directors of GDF Suez Energie Services, Hisusa, Suez Environment Company and Suez Tractebel • Vice-Chairman of Hisusa and Sociedad General de Aguas de Barcelona	• Chairman and Chief Executive Officer of GDF Suez • Member of the Supervisory Board of AXA • Director of Pargesa Holding • Chairman of the Board of Directors of Suez Tractebel, Suez Environnement, Electrabel, Suez Energie Services, Hisusa and Suez Environment Company • Vice-Chairman of Sociedad General de Aguas de Barcelona	• Chairman and Chief Executive Officer of Suez • Member of the Supervisory Board of AXA • 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	• Chairman and Chief Executive Officer of Suez • Member of the Supervisory Board of AXA • 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	• Chairman and Chief Executive Officer of Suez • Member of the Supervisory Board of AXA • 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)
Michel PEBEREAU Chairman of the Board of Directors of BNP Paribas	• Chairman of the Board of Directors of BNP Paribas • Director of Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Suisse • 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 Commission Banque d'Investissement et de Marchés de la Fédération Bancaire Française • President of Institut de l'Entreprise • Chairman of the Management Board of Institut d'Études Politiques de Paris • Chairman of the Supervisory Board of Institut Aspen France • Member of the Académie des Sciences Morales et Politiques, the Haut Conseil de l'Éducation, the Executive Council of the MEDEF, the Institut International d'Études Bancaires, the European Financial Round Table, the International Advisory Panel of the Monetary Reserve Bank of New York and the International Business Leaders' Advisory Council for the Mayor of Shanghai	• Chairman of the Board of Directors of BNP Paribas • Director of Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Suisse • Member of the Supervisory Board of AXA and Banque Marocaine pour le Commerce et l'Industrie • Non-voting director of Galeries Lafayette • Chairman of Fédération Bancaire Européenne, Commission Banque d'Investissement de la Fédération Bancaire Française • President of Institut de l'Entreprise and Institut International d'Études Bancaires • Chairman of the Management Board of Institut d'Études Politiques de Paris • Chairman of the Supervisory Board of Institut Aspen France • Member of the Académie des Sciences Morales et Politiques, the Haut Conseil de l'Éducation, the Executive Council of the MEDEF, the European Financial Round Table, the International Advisory Panel of the Federal Reserve Bank of New York and the International Business Leaders' Advisory Council for the Mayor of Shanghai	• Chairman of the Board of Directors of BNP Paribas • Director of Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Suisse • Member of the Supervisory Board of AXA and Banque Marocaine pour le Commerce et l'Industrie • Non-voting director of Galeries Lafayette • Chairman of Fédération Bancaire Européenne, Commission Banque d'Investissement de la Fédération Bancaire Française • President of Institut de l'Entreprise and Institut International d'Études Bancaires • Chairman of the Management Board of Institut d'Études Politiques de Paris • Chairman of the Supervisory Board of Institut Aspen France • Member of the Haut Conseil de l'Éducation, the Executive Council of the 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	• 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 Fédération Bancaire Européenne • President of Institut de l'Entreprise and Institut International d'Études Bancaires • Chairman of the Management Board of Institut d'Études Politiques de Paris • Chairman of the Supervisory Board of Institut Aspen France • Member of the Haut Conseil de l'Éducation, the Executive Council of the 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	• 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 Fédération Bancaire Européenne • President of Institut de l'Entreprise • Chairman of the Management Board of Institut d'Études Politiques de Paris • Chairman of the Advisory Board of Institut Aspen • Member of the Haut Conseil de l'Éducation, the Executive Council of the MEDEF, the International Monetary Conference, 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

Director's name and current main position (as of February 1, 2010)	2009	2008	2007	2006	2005
Denis RANQUE Company Director	• Chairman and Chief Executive Officer of Thales • Chairman of the Board of Directors of École Nationale Supérieure des Mines de Paris and Cercle de l'Industrie • First Vice-President of GIFAS • Director of Fondation de l'École Polytechnique • Director of CMA-CGM	• Chairman and Chief Executive Officer of Thales • Chairman of the Board of Directors of École Nationale Supérieure des Mines de Paris and Cercle de l'Industrie • First Vice-President of GIFAS • Director of Fondation de l'École Polytechnique	• Chairman and Chief Executive Officer of Thales • Chairman of the Board of Directors of École Nationale Supérieure des Mines de Paris and Cercle de l'Industrie • First Vice-President of GIFAS • Director of Fondation de l'École Polytechnique	• Chairman and Chief Executive Officer of Thales • Chairman of the Board of Directors of École Nationale Supérieure des Mines de Paris and Cercle de l'Industrie • First Vice-President of GIFAS • Director of Fondation de l'École Polytechnique	• Chairman and Chief Executive Officer of Thales • Chairman of the Board of Directors of École Nationale Supérieure des Mines de Paris and Cercle de l'Industrie • First Vice-President of GIFAS • Director of Fondation de l'École Polytechnique
Gilles SCHNEPP Chairman and Chief Executive Officer of Legrand	• Chairman and Chief Executive Officer of Legrand • Chairman and Chief Executive Officer of Legrand France • Chairman, member or permanent representative on the Board of Directors and/ or Supervisory Boards of various Legrand group subsidiaries				
Jean-Cyril SPINETTA Chairman of the Board of Directors of Air France and Air France-KLM Chairman of the Supervisory Board of Areva	• Chairman of the Board of Directors of Air France and Air France-KLM • Chairman of the Supervisory Board of Areva • Director of Alitalia and Alcatel Lucent	• Chairman and Chief Executive Officer of Air France-KLM • Chairman and Chief Executive Officer of Groupe Air France • Director of Alcatel Lucent	• Chairman and Chief Executive Officer of Air France-KLM • Chairman and Chief Executive Officer of Groupe Air France • Director of Unilever and Alcatel Lucent	• Chairman and Chief Executive Officer of Air France-KLM • Chairman and Chief Executive Officer of Groupe Air France • Director of Alitalia, Unilever and Alcatel Lucent • Permanent representative of Air France on the Board of Directors of Le Monde Entreprises	• 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 relationships between the Company's directors and, in 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, or 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.

To the best of the Company's knowledge, there are no conflicts of interest between Compagnie de Saint-Gobain and the private and business interests of the members of the Board and there are no service contracts between any members of the Board and either Compagnie de Saint-Gobain or any of its subsidiaries.

Board organization and practices

At its meeting on June 7, 2007, the Board of Directors decided to separate the functions of Chairman and Chief Executive Officer. Pierre-André de Chalendar was appointed as Chief Executive Officer, effective from the date of the meeting, and Jean-Louis Beffa was confirmed in his position as Chairman of the Board. The decision to separate the roles of Chairman and Chief Executive Officer was taken with the aim of ensuring a smooth transition, as in June 2007 Jean-Louis Beffa reached the age limit pertaining to the position of Chief Executive Officer.

With the transition period coming to an end, at its meeting on February 25, 2010, the Board of Directors unanimously decided to combine the positions of Chairman and Chief Executive Officer when Jean-Louis Beffa's term as Chairman of the Board of Directors expires at the close of the Annual General Meeting on June 3, 2010. As a result of this decision, the Board intends to appoint Pierre-André de Chalendar as Chairman and Chief Executive Officer of Saint-Gobain immediately after the Annual General Meeting, on condition that his term of office as director is renewed by the shareholders.

In line with the recommendations in the AFEP-MEDEF corporate governance code, the Board of Directors adopted a set of internal rules in 2003.

The Internal Rules of the Board of Directors in effect as of December 31, 2009 describe the Board's main organizational procedures and practices. They can be summarized as follows:

- *Board meetings*. The Board holds seven scheduled meetings per year, including one at a different Group site each year. Directors may participate in meetings using videoconference or other interactive telecommunication technologies, to the extent permitted by law.

- *Information for directors*. Prior to each meeting, the directors are provided with an analysis of year-to-date operating profit and net debt, selected financial analyses and press cuttings, as well as with copies of the presentations to be made during the meeting. The information file for the meeting to approve the annual financial statements also includes the draft annual report, consolidated financial statements and financial statements of the Company. Between meetings, the directors receive copies of all press releases issued by the Group along with relevant information about material transactions carried out by the Group. The directors have the right to ask for any and all other documents that they consider necessary to make an informed contribution to the Board's discussions and to meet senior executives of the Group without any executive directors being present, after notifying the Chairman of the Board and the Chief Executive Officer.
- *Board activities*. The Board examines all issues that fall within its remit as specified in the applicable laws and regulations and the Company's bylaws. In addition, a meeting is held at least once a year to review and decide on the Group's overall strategy. All capital expenditure, restructuring, acquisition and financial investment and divestment projects individually representing over €150 million must be submitted to the Board for prior approval, along with any material transactions that fall outside the Group's stated strategy. The Board's practices are reviewed during at least one meeting each year and formal assessments of its organization and practices are conducted periodically with the guidance of the Appointments Committee. Every year, the Board also reviews each director's situation in relation to the independence criteria set out in the AFEP-MEDEF corporate governance code for listed companies, based on a report prepared by the Appointments Committee. Lastly, one meeting may be held without the executive directors being present, to allow the non-executive directors to assess their performance and consider the Group's future senior management line-up.
- *Committees of the Board*. Three committees of the Board—the Financial Statements Committee, the Appointments Committee and the Strategy Committee (set up in June 2008)—prepare presentations of the issues submitted to the Board in their respective areas. These committees, whose members are appointed by the Board, may commission technical reports by outside experts—the costs of which are paid by Compagnie de Saint-Gobain—and consult Group executives after notifying the Chairman of the Board and the Chief Executive Officer. The Board's internal rules also cover the duties and practices of the three committees of the Board. A description of their duties is provided below in the sections on each committee.
- *Directors' obligations and duties*. Under French securities regulations, directors are qualified as permanent insiders and as such are required to comply with the laws and regulations concerning insider trading. Directors are also prohibited from trading directly or indirectly in Compagnie de Saint-Gobain's shares or in derivative instruments that have Compagnie de Saint-Gobain's shares as the underlying, during the 45 days preceding the Board meetings at which the annual and interim consolidated financial statements are reviewed and the day after these meetings (referred to as "negative windows")[1].

  As well as complying with the duty of discretion imposed by law, directors are required to treat as strictly confidential all documents and information submitted to the Board and all matters discussed during Board meetings, for as long as they have not been made public. Directors must also avoid any actual or potential conflicts of interest, whether direct or indirect.

  In accordance with French securities legislation, directors must disclose to the Autorité des Marchés Financiers details of all of their transactions in Compagnie de Saint-Gobain shares.
- *Attendance fees*. The Board's internal rules also specify the basis on which attendance fees are to be allocated among the directors. For further information, see page 122.
- *Other provisions of the internal rules*. The internal rules also allow for directors to receive additional training about the Group's businesses and the accounting, financial and operational aspects of its activities. They also stipulate that directors must attend General Meetings of shareholders.

Board assessments

Assessments of the Board's performance are carried out each year. These assessments are conducted with the assistance of outside consultants every three years[2] and by the Appointments Committee in intermediate years, based on a questionnaire sent to each director by the Committee Chairman.
In November 2009, the Chairman of the Appointments Committee reported to the Board of Directors on the executive summary submitted by Spencer Stuart, the consulting firm tasked with managing the assessment procedure.
Four main action points were identified: formally organizing one Board meeting a year not attended by the Chief Executive Officer, gaining a broader knowledge of the work performed by Sector managers, extending the annual Board meeting devoted to examining the Group's business strategy into a strategy seminar, and combining into one meeting the Board's analysis and assessment of the Group's risks. The Board has taken these observations into account.

(1) The prohibition on trading in the Company's shares during these negative windows also applies to senior executives and to other employees who have access to inside information.
(2) See page 55 of the 2000 Annual Report and page 26 of the 2003 and 2006 Annual Reports.

Board meetings

The Board of Directors met nine times in 2009, with an average attendance rate of 91%.

Committees of the Board

Financial Statements Committee

Michel PEBEREAU, Chairman
Isabelle BOUILLOT
Denis RANQUE

This Committee does not comprise any executive directors and two-thirds of its members are independent (see pages 110-111). Each Committee member has specific skills in financial and accounting matters.

Based on the Board of Directors' internal rules in force at end-2009, the Financial Statements Committee:

- Oversees (i) the processes used to prepare financial information, (ii) the effectiveness of internal control and risk management systems, (iii) the work performed by the Statutory Auditors on the financial statements of the Company and the Group, and (iv) the independence of the Statutory Auditors, although the related decision-making powers remain vested in the Board of Directors as a whole.
- Ensures that (i) any questions relating to the preparation and control of accounting and financial information are followed up and (ii) the accounting policies used to prepare the financial statements are both appropriate and applied consistently from one period to the next, and that the internal procedures used to collect and control accounting and financial information provide the necessary assurance in this regard.
- Reviews the interim and annual consolidated financial statements and the annual financial statements of the Company as presented by senior management prior to their examination by the Board of Directors.
- Reviews the scope of consolidation and the reasons why any companies have been excluded.
- Reviews material risks and off-balance sheet commitments, based on an explanatory report drawn up by the Chief Financial Officer.
- Receives updates from senior management on the organization and operation of the risk management system.
- Reviews the Group's internal control action plan and receives updates at least once a year on the plan's results.
- Makes recommendations concerning the organization of the internal audit function and receives a copy of the internal audit program as well as executive summaries of the internal audit reports.
- Reviews the external auditors' work plan and conclusions as well as the post-audit report prepared by the auditors concerning their main observations and the accounting options selected for the preparation of the financial statements.
- Conducts the auditor selection process, issues an opinion on the proposed statutory audit fee budget, submits the results of the selection process to the Board and puts forward candidates to be appointed by the shareholders.
- Reviews the audit-related advisory and other services that the auditors and members of their network are authorized to provide to Compagnie de Saint-Gobain and other Group entities under auditor independence rules.
- Obtains from the auditors the breakdown of the fees paid to them and the members of their network by the Group over the past year, by category of service, and reports to the Board its opinion concerning the auditors' independence.

The Financial Statements Committee met three times in 2009 with an attendance rate of 100%. Two of these meetings, held in February and July, were devoted to reviewing in detail the financial statements of the Company and the Group for the year ended December 31, 2008 and the six months ended June 30, 2009 and discussing these accounts with the Chief Executive Officer, the Chief Financial Officer and the auditors.

At both of these meetings, the Committee discussed with the auditors the main audit issues raised with the Finance department during the accounts closing process, particularly the key risk exposures and material off-balance sheet commitments described in the Chief Financial Officer's explanatory report to the Committee.

During the year the Committee received regular updates of the situation concerning asbestos litigation in the United States. It discussed in detail with the auditors the financial and accounting consequences of this litigation for the American subsidiaries and the Group, in order to present a report on this issue to the Board at subsequent meetings. The Committee also obtained assurance that adequate provisions have been set aside to cover the potential costs arising from the rulings handed down by the European competition authorities.

The Committee also obtained information from each of the auditors concerning the amount of fees paid to them by Group companies in 2008 for statutory audit work and other services. The auditors' fees for 2008 and 2009 are presented on page 128. A procedure issued in 2003 clearly defines the services that may be provided by the Group's auditors and the members of their networks, and the services that are prohibited.

In 2009 the Committee also reviewed (i) the draft report of the Chairman on internal control, (ii) the Group's internal control framework, (iii) a report prepared by the auditors on treasury transactions, (iv) the Internal Audit and Internal Control department's activity report for 2008, its 2009 audit program and its report on major fraud incidents, and (v) the activity report of the Doctrine Department.

Lastly, the Committee held one-to-one discussions with the auditors, the Vice-President—Financial Management, the Vice-President—Treasury, Financing, Risks & Insurance, the Senior Vice-President in charge of Internal Audit & Internal Control, and the Chief Financial Officer, in accordance with the recommendations of the AFEP-MEDEF corporate governance code for listed companies.

The Committee reported to the full Board on its activities during the Board meetings of February 19, March 19, July 23 and September 17, 2009.

Appointments Committee

Jean-Martin FOLZ, Chairman
Bernard GAUTIER
Sylvia JAY
Jean-Cyril SPINETTA

Three members of the Committee, including the Chairman, are independent directors (see pages 110-111).

The Appointments Committee fulfils the duties of both a remunerations committee and a nominations committee as provided for in the AFEP-MEDEF corporate governance code for listed companies.

The Committee's remit, as defined in the Board of Directors' internal rules in force at end-2009, is to:

- Make proposals to the Board in all cases where one or more seats on the Board fall vacant or the terms of one or more directors are due to expire. The Committee organizes the procedure to select candidates for election as independent directors, based on the independence criteria set out in the AFEP-MEDEF corporate governance code for listed companies.
- Review annually each director's situation in relation to the independence criteria set out in the AFEP-MEDEF code, and report its conclusions to the Board.
- Recommend candidates to the Board in the event that the position of Chairman of the Board falls vacant for whatever reason.
- Review proposals by the Chairman of the Board for the appointment of a Chief Executive Officer and/or one or more Chief Operating Officers, and report its conclusions to the Board.
- Make recommendations to the Board concerning the Chairman's compensation package, including pension benefits, and the criteria to be applied to determine his variable bonus, as well as the other aspects of his position.
- Make recommendations on the same issues for the Chief Executive Officer and/or the Chief Operating Officer(s).
- Discuss the Group's overall stock option policy and whether the options should be exercisable for new or existing shares, and review senior management's proposals concerning stock option plans for Group employees.
- Make recommendations concerning stock option grants to the Chairman of the Board and the members of senior management.
- The Committee also makes presentations to support the Board's consideration of corporate governance issues and leads periodic assessments of the Board's organization and practices.

The Appointments Committee met four times in 2009 with an attendance rate of 100%. During the year the Committee:

Made recommendations to the Board on the performance bonuses of the Chairman and the Chief Executive Officer for 2008, as well as on the amounts of their fixed and variable compensation for 2009 and the performance criteria to be applied to determine their 2009 bonuses (see pages 122, 125 and 126).

Selected a nominee director (Gilles Schnepp) to be put forward at the Annual General Meeting to replace Gianpaolo Caccini who had reached the applicable age limit, and proposed that the Board invite shareholders at the same Meeting to re-elect four directors whose terms of office were due to expire (Gerhard Cromme, Jean-Martin Folz, Michel Pebereau and Jean-Cyril Spinetta). In addition it recommended that the Board appoint Frédéric Lemoine as of April 9, 2009 in replacement of Jean-Bernard Lafonta who was stepping down from his position.

Prepared the information for the Board's assessment of whether its members met the independence criteria set out in the AFEP-MEDEF corporate governance code for listed companies and proposed a new system for allocating attendance fees, based on the annual aggregate amount set by shareholders in 2006.

Commissioned the consulting firm Spencer Stuart to organize the assessment of the Board of Directors' performance and presented the findings of this procedure to the Board, based on a presentation given to the Committee by representatives from Spencer Stuart (see pages 117-118).

Examined proposed stock option and share grant plans[1] and put forward recommendations to the Board.

Issued recommendations to the Board on the changes to be made to the roles and responsibilities of the Financial Statements Committee following the introduction of the French Governmental Decree dated December 8, 2008.

The Committee reported to the Board on its activities during the Board meetings of March 19, April 9, September 17 and November 19, 2009.

(1) The Group's stock option policy and the characteristics of the current stock option and share grant plans are presented on pages 117 and 118.

Strategy Committee

Jean-Cyril SPINETTA, Chairman,
Pierre-André de CHALENDAR
Frédéric LEMOINE[1]

The Strategy Committee was set up and its members were appointed on June 5, 2008.

It is chaired by an independent director.

In accordance with the Board of Directors' internal rules in force at end-2009, the Strategy Committee—which meets six times a year—is responsible for examining and identifying improvements to the Group's business plan as well as reviewing any strategic issues proposed by its members.

The Committee met six times in 2009 with an attendance rate of 100%. During these meetings the Committee discussed the Group's procurement strategy and pricing policy as well as the business strategy of the High-Performance Materials Sector, the Group's overall corporate strategy, and its strategy for China.

The Strategy Committee reported to the Board on its activities during the Board meetings of March 19, May 14, September 17 and November 19, 2009.

Directors' compensation

At the Annual General meeting of June 8, 2006, shareholders set the annual amount of attendance fees payable to directors at €800,000. On March 19, 2009, the Board decided to allocate this amount as follows, effective January 1, 2009:

- The Chairman and the Chief Executive Officer do not receive any attendance fees.
- The other directors each receive a fixed amount of €22,500 per year and €3,000 for each Board meeting attended during the year.
- In addition, the Chairmen and members of the Financial Statements Committee and the Appointments Committee each receive a fixed amount of €5,000 and €2,500 per year, respectively, and €2,000 for each Committee meeting attended during the year.
- For directors who are elected or retire/resign from the Board during the year, the fixed fee is prorated to the actual period served.
- The fees are paid in two half yearly installments in arrears, with any balance available from the annual amount distributed at the beginning of the next year based on each director's attendance rate at the prior year's Board meetings.

  The total fixed and variable fees paid to each individual director in respect of 2009 are shown in table 3 below.

Compensation and benefits of the Chairman and the Chief Executive officer

The principles and rules governing the compensation and benefits of the Chairman of the Board of Directors and the Chief Executive Officer for 2009, as decided by the Board, were as follows:

- The Chairman's compensation comprised a fixed portion and a variable bonus based on three qualitative objectives related to (i) Board efficiency, (ii) relations between the Board and its committees, and (iii) the balance between the Chairman's duties and those of the Chief Executive Officer. The bonus also reflected his participation in the procedure for selecting his successor on expiry of his term of office as Chairman on June 3, 2010. His performance in relation to all of these objectives was assessed by the Appointments Committee and the Board's decision was based on the Committee's recommendation.
- The Chief Executive Officer's compensation comprised a fixed salary and a variable bonus of up to 1.5 times salary. Fifty percent of the bonus was based on meeting targets for 2009 return on capital employed (ROCE), free cash flow, and profit for the year, with the actual bonus increasing on a straight-line basis between these targets and a pre-set upper range of ROCE, free cash flow and profit values. The remaining fifty percent of the bonus was based on four qualitative objectives related to (i) his professional performance and implementation of Group strategy, (ii) the efficient operation of the Strategy Committee, (iii) his ability to swiftly respond to market trends and changes in the economic environment, and (iv) the rollout of the Group's compliance program. The Chief Executive Officer's performance in relation to these objectives was assessed by the Appointments Committee and the Board's decision was based on the Committee's recommendation.
- Details of the compensation paid to the Chairman and the Chief Executive Officer are provided in tables 1 and 2 below.
- Concerning benefits awarded to corporate officers whose disclosure is required by law[2], at the Annual General Meeting of June 5, 2008, shareholders approved the application of the 1972 management pension plan rules to Jean-Louis Beffa. In line with these rules, his pension will be based on (i) his total fixed compensation for 2006 and (ii) his average bonus for the years 2002 to 2006 or 50% of his fixed compensation for 2006, whichever is lower. He will receive this pension from June 3, 2010, when he retires as Chairman of the Board of Directors. The amount of this pension payable by Compagnie de Saint-Gobain will represent around €558,000 per year.

(1) Replaced Jean-Bernard Lafonta on April 9, 2009.
(2) Article L225-102-1, third paragraph, of France's Commercial Code.

The Company has no other firm or potential commitments towards Jean-Louis Beffa for the payment of any compensation or benefits in connection with or following the termination of his functions or any change in his functions.

- The Annual General Meeting of June 5, 2008 also approved the Board's decision to allow Pierre-André de Chalendar, following his appointment as Chief Executive Officer, to continue to be covered by the pension plan available to him before he became an executive director. In line with this decision and with the 1972 management pension plan rules, his term as Chief Executive Officer will be added to his pensionable years of service, which will be calculated from October 1, 1989, corresponding to the date when he joined the Group. His pension will be based on his fixed compensation for his final year of service.

The Annual General Meeting of June 5, 2008 also approved the commitment given by the Board to pay compensation for loss of office to Pierre-André Chalendar in the event that his appointment is not renewed or he is removed from office other than as a result of serious professional misconduct.

Application of the recommendations in the AFEP-MEDEF corporate governance code concerning executive directors who continue to have an employment contract and termination benefits awarded to executive directors will be examined when the Chief Executive Officer's term comes up for renewal in 2010, as provided for in the recommendations (see page 130).

- Jean-Louis Beffa and Pierre-André de Chalendar each had the use of a chauffeur-driven company car in 2009.
- Jean-Louis Beffa and Pierre-André de Chalendar do not receive any directors' attendance fees from Compagnie de Saint-Gobain or from any Saint-Gobain Group subsidiary.

1. Total compensation, stock options and performance shares awarded to the Chairman and the Chief Executive Officer

(in euros)	2008	2009
Jean-Louis Beffa—Chairman of the Board of Directors		
Compensation for the year (see Table 2 for details)	1,052,036	1,052,072
Value of stock options granted during the year (see Table 4 for details)	457,500	0
Value of performance shares granted during the year (see Table 6 for details)	0	170
TOTAL	**1,509,536**	**1,052,242**
Pierre-André de Chalendar—Chief Executive Officer		
Compensation for the year (see Table 2 for details)	1,282,607	1,282,607 [1]
Value of stock options granted during the year (see Table 4 for details)	1,067,500	2,086,000
Value of performance shares granted during the year (see Table 6 for details)	0	170
TOTAL	**2,350,107**	**3,368,826**

(1) Article L225-102-1, third paragraph, of France's Commercial Code.

2. Compensation and benefits awarded to the Chairman and the Chief Executive Officer

(in euros)	2008		2009	
Jean-Louis Beffa **Chairman of the Board of Directors**	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	613,848	613,848	612,024	612,024
Variable bonus	350,000	760,468	350,000	260,000
Exceptional bonus	0	0	0	0
Directors' attendance fees	0	0	0	0
Benefits in kind: – Accommodation – Company car	86,160 2,028	86,160 2,028	87,972 2,076	87,972 2,076
TOTAL	**1,052,036**	**1,462,504**	**1,052,072**	**962,072**
Pierre-André de Chalendar **Chief Executive Officer**	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	800,034	800,034	800,004	800,004
Variable bonus	480,000	458,750	480,000	177,500
Exceptional bonus	0	0	0	0
Directors' attendance fees	0	0	0	0
Benefits in kind: – Accommodation – Company car	 2,573	 2,573	 2,652	 2,652
TOTAL	**1,282,607**	**1,261,357**	**1,282,656**	**980,156**

Based on actual performance in relation to the quantitative and qualitative targets set under the bonus plan, the Board of Directors awarded Pierre-André de Chalendar a bonus of €900,000. However, Mr. de Chalendar informed the Board that due to the circumstances prevailing in 2009 and the Group's situation during the year, he did not want his 2009 bonus to be increased compared with 2008 (€480,000). He therefore waived the portion of his 2009 bonus in excess of this amount.

3. Directors' attendance fees and other compensation received by non-executive directors

Non-executive directors	Gross amounts paid *(in euros)* For 2008	For 2009
Isabelle Bouillot	63,713	57,974
Gianpaolo Caccini	50,913	26,413
Robert Chevrier	54,077	46,102
Gerhard Cromme	50,913	49,474
Bernard Cusenier	54,077	52,845
Jean-Martin Folz	69,117	65,845
Bernard Gautier	33,797	63,345
Yuko Harayama	50,913	46,102
Sylvia Jay	64,318	63,345
Jean-Bernard Lafonta	36,357	24,268
José Luis Leal Maldonado	25,122	0
Frédéric Lemoine	0	43,077
Gérard Mestrallet	47,749	46,102
Michel Pébereau	68,513	60,473
Denis Ranque	60,549	57,973
Jean-Cyril Spinetta	69,872	73,602
Gilles Schnepp	0	23,060
TOTAL ATTENDANCE FEES	**800,000**	**800,000**

None of the non-executive directors received any other compensation from Compagnie de Saint-Gobain or any Saint-Gobain subsidiary for 2008 or 2009.

4. Stock options granted to the Chairman and the Chief Executive officer during the year

	Plan date	Options exercisable for new or existing shares	Value (based on method used to prepare the consolidated financial statements)	Number of options granted during the year	Exercise price	Exercise period
Jean-Louis Beffa	–	–	–	–	–	–
Pierre-André de Chalendar	Nov. 19, 2009	Not specified	2,086,000	200,000	€36.34	Nov. 19, 2013 Nov. 18, 2019

All of the options granted to the Chief Executive Officer in 2009 are subject to seniority and performance conditions as described on page 107.

5. Options exercised during the year by the Chairman and the Chief Executive Officer

	Plan date	Options exercisable for new or existing shares	Number of options exercised during the year	Exercise price
Jean-Louis Beffa	Nov. 16, 2000	Existing shares	10,000	€34.11
Pierre-André de Chalendar	–	–	–	–

6. Performance shares granted to the Chairman and the Chief Executive Officer

	Plan date	Number of shares granted during the year	Value (based on method used to prepare the consolidated financial statements)	End of vesting period	End of lock-up period	Performance conditions
Jean-Louis Beffa	Nov. 19, 2009	7	€170	March 30, 2012	March 30, 2014	(1)
Pierre-André de Chalendar	Nov. 19, 2009	7	€170	March 30, 2012	March 30, 2014	(1)

(1) The seniority and performance conditions applicable to these share grants are described on page 107.

7. Performance shares granted to the Chairman and the Chief Executive Officer for which the lock-up period ended during the year

	Plan date	Number of shares for which the lock-up period ended during the year	Performance conditions
Jean-Louis BEFFA	–	0	–
Pierre-André de CHALENDAR	–	0	–

8. Historical information about stock option plans

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Date of General Meeting	June 24, 1999	June 28, 2001	June 28, 2001	June 5, 2003	June 5, 2003	June 9, 2005	June 9, 2005	June 7, 2007	June 7, 2007	June 4, 2009
Date of Board meeting	March 30, 2000 Nov. 16, 2000	Nov. 22, 2001	Nov. 21, 2002	Nov. 20, 2003	Nov. 18, 2004	Nov. 17, 2005	Feb. 27, 2006 Nov. 16, 2006	Nov. 22, 2007	Nov. 20, 2008	Nov. 19, 2009
Total shares under option	2,716,500	3,774,800	3,785,500	3,717,700	3,881,800	3,922,250	4,025,800	3,673,000	3,551,900	1,479,460
Adjustment to the number of shares under option[1]	91,555	180,707	125,172	282,934	383,963	397,330	420,314	383,133	375,614	N/A
Adjusted number of shares under option:	2,808,055	3,955,507	3,910,672	4,000,634	4,265,763	4,319,580	4,446,114	4,056,133	3,927,514	1,479,460
Of which: options granted to corporate officers								331,725	276,439	200,000
Jean-Louis Beffa								110,575	82,932	0
Pierre-André de Chalendar								221,150	193,507	200,000
Starting date of exercise period	Nov. 17, 2003 or Nov. 17, 2005	Nov. 23, 2004 or Nov. 23, 2005	Nov. 22, 2005 or Nov. 22, 2006	Nov. 21, 2006 or Nov. 21, 2007	Nov. 19, 2007 or Nov. 19, 2008	Nov. 18, 2008 or Nov. 18, 2009	Nov. 17, 2009 or Nov. 17, 2010	Nov. 23, 2011	Nov. 21, 2012	Nov. 20, 2013
Expiry date of exercise period	Nov. 15, 2010	Nov. 21, 2011	Nov. 20, 2012	Nov. 19, 2013	Nov. 17, 2014	Nov. 16, 2015	Nov. 15, 2016	Nov. 21, 2017	Nov. 19, 2018	Nov. 18, 2019
Exercise price[1]	€34.11	€36.37	€21.28	€32.26	€39.39	€41.34	€52.52	€64.72	€25.88	€36.34
Exercise terms (see pages 107-108)										
Number of shares acquired	1,785,025	1,986,881	2,577,838	1,021,231	170,947	5,000	1,200	0	0	0
Cumulative number of cancelled or forfeited options	78,800	80,000	80,000	58,500	80,000	248,460	138,460	138,460	55,288	0
Options outstanding at Dec. 31, 2009[1]	944,230	1,888,626	1,252,834	2,920,903	4,014,816	4,066,120	4,306,454	3,917,673	3,872,226	1,479,460

(1) Following the March 23, 2009 capital increase for cash carried out by issuing and allocating stock warrants, the number of options per grantee and the exercise price were adjusted in accordance with the applicable regulations (Article R228-91 of the French Commercial Code) in order to preserve the grantees' rights. The new exercise price was determined by taking into account the number of shares issued per existing share (2 new shares for 7 existing shares), the issue price of the new shares (€14) and the cum rights share price (€24.58), corresponding to the weighted average price for the three trading days preceding the rights issue, i.e. March 18, 19 and 20, 2009.

On this basis, the original exercise price was multiplied by 0.904363 to calculate the new price and the number of options was multiplied by 1.10575 so that the total value of option holders' rights (number of options multiplied by the exercise price) was the same before and after the adjustment.

9a. Options granted to the ten employees who received the greatest number of options

	Number of options granted	Unit price
In 2009	303 250	36,34 €
In 2008	415 000	28,62 €

9b. Options granted to the ten employees who exercised the greatest number of options

	Total number of options exercised	Weighted average exercise price	O/w options granted on Nov. 18, 1999	O/w options granted on Nov. 16, 2000	O/w options granted on Nov. 22, 2001	O/w options granted on Nov. 21, 2002	O/w options granted on Nov. 20, 2003	O/w options granted on Nov. 18, 2004
In 2009	75 464	34,56 €	41 579	10 000	–	2 875	21 010	–
In 2008	46 400	33,09 €	–	–	3 600	19 000	11 800	12 000

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During 2009	Employment contract (suspended for duration of term)		Supplementary pension plan		Termination benefits		Non-compete indemnity	
	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Louis Beffa Chairman of the Board of Directors	X		X			X		X
Pierre-André de Chalendar Chief Executive Officer	X		X		X			X

At the Annual General Meeting of June 5, 2008, the Company's shareholders approved (i) supplementary pension benefits for Jean-Louis Beffa and Pierre-André de Chalendar (see page 121 of this Annual Report) and (ii) the commitment given by the Board concerning compensation payable to Pierre André de Chalendar in the event of a loss of office (see pages 36 and 43 of the 2007 Annual Report).

In 2010:

- Jean-Louis Beffa will tender his resignation under his employment contract, effective when his term as Chairman of the Board of Directors expires at the close of the Annual General Meeting of June 3, 2010, and will begin receiving benefits under his pension plan (see page 119) from June 4, 2010.
- Pierre-André de Chalendar will tender his resignation under his employment contract, effective from his re-election as a director and the renewal of his term as Chief Operating Officer at the Annual General Meeting of June 3, 2010. His pension benefit entitlement and revised entitlement to compensation for loss of office, including a non-compete clause indemnity, decided by the Board of Directors on March 25, 2010, will be submitted to the Annual General Meeting for approval under the procedure applicable to related party agreements and commitments (see pages 130-131).

Management compensation

In Group companies other than Compagnie de Saint-Gobain, attendance fees awarded to directors representing the Group—particularly members of Group senior management—are either transferred to the company that employs them or paid directly to that company.

In other companies of which the Group is a shareholder, attendance fees awarded to the Chairman of Saint-Gobain's Board in his capacity as a director of these companies are paid in full to the Company.

The compensation paid to members of senior management is set at a level consistent with compensation packages offered by comparable companies, taking into consideration specific studies commissioned by senior management from specialized consultants.

All members of senior management receive a variable bonus designed to reflect their personal contribution towards the Group's business and earnings growth. The amount of this bonus must be reasonable in relation to the overall compensation package.

This principle of performance-related pay systems has now been extended to all managerial staff. The performance targets used are based on financial indicators including return on investment (ROI) and free cash flow, as well as personal objectives such as developing a certain type of business or entering a new country market.

In this way, senior management compensation is clearly linked to a system of management by objectives that promotes a high level of personal commitment. Each manager's compensation can fluctuate significantly from one year to the next, based on the results achieved.

Gross compensation received by the members of senior management, directly and indirectly from Group companies within and outside France, totaled €9.3 million in 2009 (2008: €13.4 million), including variable bonuses of €2.4 million (2008: €4.7 million). No termination benefits were paid in 2009 (2008: €1.5 million).

Group Management

GROUP MANAGEMENT (as of February 1, 2010)

Senior Management

Pierre-André de CHALENDAR
Chief Executive Officer

Benoît BAZIN
Senior Vice-President in charge of the Building Distribution Sector

Jean-Claude BREFFORT
Senior Vice-President in charge of Human Resources and International Development

Jérôme FESSARD
Senior Vice-President in charge of the Packaging Sector

Jean-Pierre FLORIS
Senior Vice-President in charge of the Innovative Materials Sector

Claude IMAUVEN
Senior Vice-President in charge of the Construction Products Sector

Jean-François PHELIZON
Senior Vice-President in charge of Internal Audit and Internal Control

Bernard FIELD
Corporate Secretary

Laurent GUILLOT
Chief Financial Officer

Corporate Departments Management

Gérard ASPAR
Vice-President, Marketing

Sophie CHEVALLON
Vice-President, Communications

David MOLHO
Vice-President, Corporate Planning

Didier ROUX
Vice-President, Research and Innovation

Sector Management

Benoît BAZIN
President, Building Distribution Sector

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

Jérôme FESSARD
President, Packaging Sector

Jean-Pierre FLORIS
President, Innovative Materials Sector (Flat Glass and High-Performance Materials)

Claude IMAUVEN
President, Construction Products Sector

GENERAL DELEGATES

Jean-Claude BREFFORT
General Delegate, Brazil, Argentina and Chile

Gilles COLAS
General Delegate, North America

Peter HINDLE
General Delegate, the United Kingdom, Republic of Ireland and South Africa

Olivier LLUANSI
General Delegate, Eastern Europe

Anand MAHAJAN
General Delegate, India

Paul NEETESON
General Delegate, Central and Northern Europe

Emmanuel NORMANT
General Delegate, Asia-Pacific region

Ricardo De RAMON GARCIA
General Delegate, Spain, Portugal and Morocco

Guy ROLLI
General Delegate, Mexico, Venezuela and Colombia

Gianni SCOTTI
General Delegate, Italy, Egypt, Greece and Turkey

SAINT-GOBAIN GROUP COMMITTEES (as of February 1, 2010)

Executive Committee

Pierre-André de CHALENDAR
Chief Executive Officer

Bernard FIELD
Corporate Secretary

Laurent GUILLOT
Chief Financial Officer

The Executive Committee meets once a week.

Senior Management Committee

Pierre-André de CHALENDAR
Chief Executive Officer

Benoît BAZIN
Senior Vice-President in charge of the Building Distribution Sector

Jean-Claude BREFFORT
Senior Vice-President in charge of Human Resources and International Development and General Delegate, Brazil, Argentina and Chile

Gilles COLAS
General Delegate, North America

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

Jérôme FESSARD
Senior Vice-President in charge of the Packaging Sector

Bernard FIELD
Corporate Secretary

Jean-Pierre FLORIS
Senior Vice-President in charge of the Innovative Materials Sector

Laurent GUILLOT
Chief Financial Officer

Claude IMAUVEN
Senior Vice-President in charge of the Construction Products Sector

Jean-François PHELIZON
Senior Vice-President in charge of Internal Audit and Internal Control

Didier ROUX
Vice-President, Research and Innovation

The Senior Management Committee meets once a month.

Coordination Committee

Pierre-André de CHALENDAR
Chief Executive Officer

The members of the Senior Management Committee

The General Delegates

The Heads of the following businesses:
Saint-Gobain Glass (Benoît d'IRIBARNE), SGG Solutions (François-Xavier MOSER), Abrasives (John CROWE), Ceramics (Patrick MILLOT), Performance Plastics (Thomas KINISKY), Pipe (Pascal QUERU), Gypsum (Claude-Alain TARDY), Insulation (Benoît CARPENTIER), Industrial Mortars (Jean-Luc GARDAZ), Point P (Franck BRUEL), Lapeyre (Patrick BERTRAND), SGBD Deutschland (Udo BRANDT), SGBD Nordics (Kare O. MALO), Packaging, United States (Joseph GREWE)

Vice-President, Group Purchasing (Patrick ROUX-VAILLARD)

Vice-President, Group Marketing (Gérard ASPAR)

The Coordination Committee meets three times a year.

AUDITORS

As of December 31, 2009, the Company's auditors were:

- PricewaterhouseCoopers Audit[1], 63 rue de Villiers, 92208 Neuilly-sur-Seine, represented by Rémi Didier and Jean-Christophe Georghiou, reappointed on June 10, 2004, for a six-year term expiring at the 2010 Annual General Meeting.
- KPMG Audit, Department of KPMG S.A.[1], 1 Cours Valmy, 92923 La Défense, represented by Jean Gatinaud and Jean-Paul Vellutini, reappointed on June 8, 2006 for a six-year term expiring at the 2012 Annual General Meeting.

The substitute auditors are:

- Yves Nicolas, 63 rue de Villiers, 92208 Neuilly-sur-Seine, appointed on June 10, 2004 for a six-year term expiring at the 2010 Annual General Meeting.
- Fabrice Odent, 1 Cours Valmy, 92923 La Défense, appointed on June 7, 2007 for a six-year term expiring at the 2012 Annual General Meeting.

At the Annual General Meeting on June 3, 2010, the Board of Directors will propose renewing the appointment of PricewaterhouseCoopers Audit and Yves Nicolas for a six-year term expiring at the 2016 Annual General Meeting

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(1) Members of Compagnie régionale des Commissaires aux comptes de Versailles.

Fees paid by the Group to the Auditors and the members of their network for 2009

(In € millions, excluding tax)	PricewaterhouseCoopers				KPMG			
	Amount		%		Amount		%	
	2009	2008	2009	2008	2009	2008	2009	2008
Audit								
Statutory and contractual audits								
Compagnie de Saint-Gobain Issuer	0.7	0.7	6%	6%	0.7	0.7	6%	5%
Fully-consolidated subsidiaries	9.8	10.7	84%	87%	10.6	12.1	89%	94%
TOTAL	**10.5**	**11.4**	**90%**	**93%**	**11.3**	**12.8**	**95%**	**99%**
Other audit-related services								
Compagnie de Saint-Gobain Issuer	0.2	0.5	2%	4%	0.1	0.0	1%	0%
Fully-consolidated subsidiaries	0.9	0.3	8%	3%	0.5	0.1	4%	1%
Total	**1.1**	**0.8**	**10%**	**7%**	**0.6**	**0.1**	**5%**	**1%**
SUBTOTAL	**11.6**	**12.2**	**100%**	**100%**	**11.9**	**12.9**	**100%**	**100%**
Other services provided by members of the network to fully-consolidated subsidiaries								
Legal and tax advice	0	0	0%	0%	0	0	0%	0%
Other (fees representing over 10% of the audit fees)	0	0	0%	0%	0	0	0%	0%
Subtotal	**0**	**0**	**0%**	**0%**	**0**	**0**	**0%**	**0%**
TOTAL	**11.6**	**12.2**	**100%**	**100%**	**11.9**	**12.9**	**100%**	**100%**

Bylaws

Compagnie de Saint-Gobain is a French société anonyme governed by articles L.210-1 et seq. of the French Commercial Code. Its head office is at Les Miroirs, 18 avenue d'Alsace, 92400 Courbevoie (phone: +33 (0) 1 47 62 30 00) and it is registered in Nanterre under no. 542039532. Its APE business identifier code is 741 J and its Siret code is 54203953200040.

The Company's corporate purpose is to conduct and manage, in France and internationally, any and all industrial, commercial, financial, securities and real estate transactions related to its manufacturing activities, through French or foreign subsidiaries or affiliates or otherwise (article 3 of the bylaws). The Company's fiscal year runs from January 1 to December 31. Its term will end on December 31, 2040, unless it is wound up before that date or its term is extended.

Official documents concerning the Company may be consulted at the head office, Les Miroirs, 18, avenue d'Alsace, 92400 Courbevoie (Investor Relations Department).

Special clauses in the bylaws

Special clauses contained in the bylaws are as follows:

Disclosure thresholds

The bylaws require shareholders to disclose to the Company, within five trading days, any increase in their interest to above 0.50% of the capital or voting rights or any multiple thereof, or any reduction in their interest to below any of these thresholds. This disclosure requirement applies to shares held either directly or indirectly, as well as to the combined interests of shareholders acting in concert. Failure to comply with these disclosure rules may result in the undisclosed shares being stripped of voting rights for a period of two years from the date when the non-disclosure is remedied, at the request of one or more shareholders representing at least 3% of the capital or voting rights, as recorded in the minutes of the General Meeting. These disclosure thresholds were decided by the Annual General Meetings of June 23, 1988, June 15, 1990 and June 10, 2004.

In addition, the Company may request disclosure of information about its ownership structure and ownership of its shares in application of the relevant laws and regulations.

Board of Directors

The Company is administered by a Board of Directors with at least three members and no more than sixteen members (Annual General Meeting of June 5, 2008), including one director representing employee shareholders (Annual General Meeting of June 6, 2002).

Directors are elected for a four-year term. The age limit for holding office as a director is 70, or 68 for the Chairman of the Board. The Board may decide to combine the functions of Chairman of the Board and Chief Executive Officer. The age limit for holding office as Chairman and Chief Executive Officer is 65, the same as for the Chief Executive Officer and the Chief Operating Officer (Annual General Meetings of June 6, 2002 and June 5, 2003).

A Director or the Chairman of the Board (whether or not he is also Chief Executive Officer) who reaches the age limit steps down at the close of the Annual General Meeting called to approve the financial statements for the year of their 70th, 68th or 65th birthday, as applicable.

The Board of Directors determines the company's overall strategy and examines any issues related to the efficient operation of the business (Annual General Meeting of June 6, 2002).

The Board's activities are organized and led by the Chairman (Annual General Meeting of June 10, 2004).

Board meetings may be held using videoconference or other interactive telecommunication technologies, to the extent permitted by law (Annual General Meeting of June 28, 2001).

Each Director is required to hold at least 800 Compagnie de Saint-Gobain shares (Annual General Meetings of June 24, 1999, June 28, 2001 and June 5, 2003).

General Meetings

Shareholders may participate in General Meetings in person or by giving proxy, provided that they submit proof of their identity and evidence of ownership of the shares as specified in the notice of meeting, at least five days before the Meeting date, in accordance with legal requirements. The Board may however reduce or waive the five-day requirement, provided that the change is applied to all shareholders equally. Shareholders may only give proxy to their spouse or to another shareholder. Corporate shareholders are represented by their legal representative or by any person designated by the legal representative.

At all General Meetings, voting rights are exercisable by the beneficial owner of the shares. Each shareholder has a number of voting rights corresponding to the number of shares held, without limitation.

However, double voting rights are allocated to fully paid-up shares registered in the name of the same holder for at least two years. In addition, in the case of a bonus share issue paid up by capitalizing reserves, profits or additional paid-in capital, bonus shares allocated in respect of registered shares with double voting rights also carry double voting rights from the date of issue (Annual General Meeting of February 27, 1987).

Double voting rights are forfeited when the shares are converted to bearer form or sold. However, double voting rights are not forfeited when title is transferred by way of an inheritance or as a result of the liquidation of the marital estate or an inter vivos donation to a spouse or a relative in the direct line of succession, and the transfer is not taken into account for the purpose of determining the two-year qualifying period. Shareholders may vote by post in accordance with the applicable laws and regulations.

Appropriation of income

Each year, 5% of net income for the year less any losses brought forward from prior years is credited to the legal reserve, until such time as the legal reserve represents 10% of the capital. If the capital is increased, the same transfer requirement applies until the legal reserve represents 10% of the new capital.

Distributable income corresponds to net income for the year less any losses brought forward from prior years and less any amounts to be credited to reserves in application of the law or the Company's bylaws, plus retained earnings.

The Annual General Meeting may appropriate all or part of this amount to any contingency or special reserves or to retained earnings, based on a recommendation of the Board of Directors. If these appropriations do not absorb the total amount of distributable income, shareholders are paid a non-cumulative first dividend equal to 5% of the paid-up par value of shares. If any funds remain after paying the first dividend, they are used to pay a second dividend.

The Annual General Meeting may decide to offer shareholders the option of receiving all or part of the dividend (or any interim dividend) in cash or in shares.

Compagnie de Saint-Gobain's bylaws are available for consultation on the website www.saint-gobain.com and at the Company's Legal Department. Copies may be obtained from the Nanterre Commercial Court *(Greffe du Tribunal de commerce de Nanterre)*.

RELATED PARTY AGREEMENTS

Related party agreements entered into during the year

At its meeting on February 19, 2009, the Board of Directors authorized the Company to:

- Issue a counter-guarantee to a group of banks, led by BNP Paribas, that had guaranteed payment of the €896 million fine levied on the Flat Glass division by the European Commission on November 12, 2008, plus interest at the rate of 5.25% for the period from March 9, 2009, pending the outcome of the appeal lodged with the Luxembourg Court of First Instance.
- Enter into an underwriting agreement with a group of banks led by BNP Paribas in connection with the rights issue decided the same day.

The agreements were submitted to and approved by the Annual General Meeting of June 4, 2009.

Related party agreements entered into after the year-end

At its meeting on March 25, 2010, the Board of Directors decided:

- in line with the recommendation of the Appointments Committee, to modify the commitment given to Pierre-André de Chalendar, Chief Executive Officer, as follows:

  – Compensation for loss of office will be paid to Pierre-André de Chalendar if and only if:
  a) he is removed from office or his appointment as Chief Executive Officer is not renewed other than as a result of gross or willful misconduct or serious misconduct not related to his duties as Chief Executive Officer, or

  b) he is forced to resign within the twelve months following the date of approval by the shareholders of a merger or demerger affecting Compagnie de Saint-Gobain, or the date on which a third party or group of third parties acquires control of the Company, or the announcement by Compagnie de Saint-Gobain's management bodies of a significant shift in the Group's strategy leading to a major change in its business.

  – In the event of termination of his duties as Chief Executive Officer in the circumstances described above, Pierre-André de Chalendar will be entitled to compensation for loss of office of up to two times the sum of his most recent annual fixed compensation as Chief Executive Officer on the day of said termination plus his average annual bonus as Chief Executive Officer for the last three years (or, if he has been Chief Executive Officer for less than three years, only for the number of full years that have elapsed since his appointment as Chief Executive Officer).

  Payment of the compensation for loss of office will be subject to fulfillment of a performance condition evidenced by the Board of Directors' decision to award him an average bonus at least equal to one half of the average maximum bonus for the last three years (or, if he has been Chief Executive Officer for less than three years, for the number of full years that have elapsed since his appointment as Chief Executive Officer).

  No compensation for loss of office will be due if Pierre-André de Chalendar leaves Compagnie de Saint-Gobain (i) at his own initiative in circumstances other than those described above, or (ii) in one of the circumstances described above, if he would have been eligible to retire during the previous twelve months and to receive a pension under the defined benefit plan approved by the Shareholders' Meeting of June 5, 2008.

  – The Board of Directors also decided that, in the event of termination of Pierre-André de Chalendar's duties as Chief Executive Officer in circumstances qualifying him for compensation for loss of office, the Board of Directors may decide, on the recommendation of the Appointments Committee, to maintain or to cancel his rights to all or some of the Saint-Gobain stock options and performance shares granted to him up to the termination date that have not yet expired or have not yet been delivered, as applicable, provided that the performance conditions specified in the plan rules have been fulfilled.

  – Lastly, as Chief Executive Officer, Pierre-André de Chalendar will continue to be fully covered by the defined benefit pension plan referred to below, as approved by the Shareholders' Meeting of June 5, 2008, in the same way as all other plan participants.

- The Board of Directors also authorized the signature of a non-compete agreement in which Pierre-André de Chalendar has given an irrevocable undertaking not to participate in, acquire or hold any interest in any competitor (as defined in the agreement) of Compagnie de Saint-Gobain or any Saint-Gobain Group company during a period of one year from the date on which his functions as Chief Executive Officer are terminated in circumstances qualifying him for compensation for loss of office. The indemnity that would be payable to Pierre-André de Chalendar under the non-compete agreement is set at the equivalent of one year's total gross compensation. For the purpose of this agreement, his gross annual compensation is considered as comprising the same fixed and variable amounts used to calculate his compensation for loss of office referred to above.
- Under no circumstances will the sum of the indemnity under the non-compete agreement and the compensation for loss of office exceed two times Mr. de Chalendar's total gross annual compensation.
- Lastly, the Board authorized the signature of addenda to the URPIMMEC group death, disability and health insurance policy in which the persons covered by the policy and riders are defined as employees with an employment contract and executive directors (*mandataires sociaux assimilés aux salariés*) as defined in Article L.311-312° of France's Social Security Code.
- During the meeting, the Board of Directors also authorized the signature of a residential lease between Société Civile Immobilière de l'Île-de-France, a subsidiary of Compagnie de Saint-Gobain, and Jean-Louis Beffa concerning the apartment occupied by Mr. Beffa.

  Based on a valuation performed by an independent property valuer, Foncier Expertise, a subsidiary of Crédit Foncier, on February 17, 2010, the annual rent was set at €85,000, excluding service charges.

REPORT ON THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Report of the Chairman of the Board of Directors on certain aspects of corporate governance, on Compagnie de Saint-Gobain's internal control and risk management systems and on any restrictions on the Chief Executive Officer's powers

This report has been drawn up in application of article L.225-37 of France's Commercial Code and has been approved by the Board of Directors.

Corporate governance

Under French law, the Chairman is required to report to shareholders on certain aspects of corporate governance. The required disclosures concern the composition of the Board, its organization and practices, the Company's compliance with and implementation of a recognized corporate governance code, the formalities for participating in General Meetings, the principles and rules applied by the Board to determine the compensation and benefits awarded to executive directors and any other information that could affect a takeover bid for the Company.

This information is provided in the following sections of this registration document: Membership of the Board of Directors, Re-election of Directors, Board organization and practices, Committees of the Board, Corporate governance, Bylaws, Directors' compensation and benefits, Information that could affect a takeover bid for the Company (pages 110 to 129), which are incorporated by reference in this report of the Chairman.

Compagnie de Saint-Gobain's internal control and risk management systems

Saint-Gobain's internal control system is based on the internal control framework issued by the French securities regulator (Autorité des Marchés Financiers—AMF) in January 2007 and complies with the legal requirements applicable to companies listed on the Paris Stock Exchange.

Internal control

Internal control is a set of resources, behaviors, procedures and initiatives tailored to each company's specific characteristics that:

- Contributes to the control of the business, the effectiveness of operations and the efficient use of resources
- Enables the Company to appropriately address material operational, financial, compliance and other risks

The internal control and risk management systems are specifically designed to provide assurance concerning:

- The Company's compliance with the applicable laws and regulations
- Application of senior management's instructions and guidelines
- The efficiency and effectiveness of internal operating, industrial, marketing, financial and other processes
- The protection of tangible and intangible assets and the prevention of fraud
- The reliability of financial information.

Internal control is therefore more than just a set of procedures and it extends beyond accounting and financial processes.

Internal control fundamentals

The internal control process is based on a framework that organizes the execution, monitoring and supervision of control activities. The fundamentals of an efficient and effective internal control system include:

- Adherence to the values and behavioral rules set out in the Saint-Gobain Principles of Conduct and Action (see page 69 of the Responsible Development section), which are distributed to all employees.
- Clear organization and allocation of responsibilities, supported by written procedures and ensuring effective segregation of tasks.
- Delegations of signature authority and other powers aligned with the allocation of responsibilities and supported by controls over the use of these delegations.
- Human resources management policies that ensure that new hires have the knowledge and skills needed to fulfill their responsibilities and that existing employees are helped to improve their knowledge.
- Written internal procedures distributed in an appropriate manner to employees.
- Secure information systems with access rights granted on the basis of allocated roles and responsibilities, to maintain effective segregation of tasks. Compliance by subsidiaries with the basic security rules issued by the Group Information Systems Department.

Internal control and risk management process

Within Saint-Gobain, internal control is a continuous process that involves (i) analyzing the main identifiable risks, (ii) developing controls that are proportionate to the risks involved, (iii) communicating control objectives to employees and (iv) implementing basic and oversight controls and regularly checking the process's effectiveness.

Oversight controls and effectiveness checks may lead to corrective action being taken, to ensure that the internal control system evolves as needed.

Implementation of the internal control and risk management process within Group entities

Saint-Gobain Group units implement the internal control process in order to (i) build an internal control system aligned with the needs of their business and (ii) identify any operational risks specific to their entity that are not covered by the controls provided for in the internal control reference base. The units' Presidents follow a five-step process:

- Check that the fundamentals of internal control have been deployed.
- Implement the controls described in the internal control reference base.
- Lead the internal control process within their unit and identify any risks not covered by the controls provided for in the internal control reference base.
- Deploy the internal control system in all of the unit's facilities.
- Oversee the internal control system and organize regular internal control reviews by the unit's Management Committee, in particular for the purposes of the compliance statement.

Compliance statement

Compliance statements are used to periodically assess units' compliance with a limited number of internal control reference base fundamentals.

Since 2009, the operating units' Presidents report annually to the Group Chief Executive Officer on the level of internal control within their unit, by filling out a questionnaire that refers directly to the internal control reference base. They also commit to taking all necessary action to remedy any cases of non-compliance with the reference base.

The compliance statements and action plans are centralized and tracked by the Internal Control unit which also prepares an executive summary of the information.

They are reviewed with the heads of the Divisions, General Delegations and corporate departments and are the subject of an annual report to the Group Chief Executive Officer and to the Financial Statements Committee of the Board of Directors.

In 2009, the procedure was monitored using an information system set up at Group level. The compliance statement comprises 60 questions covering three main areas—the control environment, internal control procedures and internal control activities.

Overall organization of the internal control and risk management system

Everyone within the organization has some responsibility for internal control, from senior management down to the employees of the individual units.

Senior management

Group senior management oversees implementation of the internal control system and the existence and appropriateness of internal control and risk management monitoring systems within the subsidiaries.

Internal Audit and Internal Control Department

The Internal Audit and Internal Control Department participates in overseeing internal control and risk management systems based on the compliance statement, the results of internal audits and the incident monitoring system. The Department participates in the Group's overall compliance program (see page 69 of the Responsible Development section for more information about this program).

On the instructions of senior management, the Internal Control unit is responsible for designing the Group's internal control system and coordinating its deployment, working with the corporate departments, the General Delegations and the Sectors. Its main responsibilities are to:

- Develop and maintain the internal control reference base
- Communicate and provide training in the internal control reference base
- Conduct the annual self-assessment process
- Analyze incidents, self-assessments and the results of audits, and propose upgrades to the internal control system
- Monitor implementation of the action plans decided following these exercises.

The Internal Audit unit is tasked with deploying a systematic and methodical approach designed to provide assurance concerning the appropriateness and effectiveness of the internal control systems and issuing recommendations for improvement. Its main responsibilities are to:

- Check implementation of compulsory controls
- Check that compliance statements are appropriate
- Audit internal control systems in order to obtain assurance concerning their compliance with the rules set by the Group and their effectiveness considering the situation of the audited unit

The audits are planned by the Internal Audit and Internal Control Department based on the overall internal audit program approved by senior management and communicated to the Financial Statements Committee of the Board of Directors.

The internal audit program is based on the annual proposals of the Senior Vice Presidents responsible for the Sectors, the General Delegates and the heads of the corporate departments. The Internal Audit and Internal Control Department may also be asked to perform unscheduled audits during the year.

The internal auditors are based at the Company's head office and in the main General Delegations. Some 220 internal audits were carried out in 2009. Copies of the auditors' reports were given to senior management as well as to the Sector Senior Vice Presidents and General Delegates concerned. A report is issued at the end of each audit, describing the internal auditors' observations. The audited unit is given the opportunity to respond to these observations, after which a set of recommendations is issued, together with an action plan that the audited unit is required to implement within a fixed timeframe.

An executive summary is sent to the Financial Statements Committee of the Board of Directors.

Where there is a presumption of fraud or embezzlement, the Internal Audit and Internal Control Department implements the appropriate procedures. The Fraud Prevention Officer issues a monthly incident tracking report and monitors implementation of corrective action to reduce the risk of a recurrence. He is responsible for developing fraud detection methods and conducting fraud investigations.

The external auditors are given copies of all internal audit reports, and the Internal Audit and Internal Control Department receives copies of the external auditors' reports, as well as summary descriptions of their audit procedures, internal control reviews and information systems reviews.

Corporate departments

The corporate departments are responsible for setting up an internal control organization and defining internal control strategies and procedures in their area. To this end, they:

- Identify and analyze the main risks associated with their internal processes
- Define appropriate controls based on those described in the internal control reference base.
- Inform and train the employees responsible for internal controls within their area
- Analyze any internal control weaknesses or incidents and the results of internal audits.

The corporate departments are also responsible for the internal control system within Compagnie de Saint-Gobain units, particularly the application of Group procedures.

Environment, Health and Safety Department

The Environment, Health and Safety (EHS) Department leads and coordinates Group policy in these areas. It has produced a reference manual (see below) that all site managers are required to comply with.

The EHS Department checks application of the Reference Manual procedures through detailed audits commissioned by the Company, the General Delegations or the Sectors.

The audits are based on a 12 or 20-step audit for manufacturing units. They are performed by staff working in the operating units—generally in the area of EHS—who have received specific training in auditing techniques.

In all cases, the audit is performed by an auditor from another Sector, ensuring that the process is doubly rigorous. All three areas are covered—environmental protection, health and safety—in an integrated process. The audit standards comply with OSHAS 18001 and ISO 14001.

In 2009, a specific, customized audit was developed for the Building Distribution Sector to replace the 12-step audit used previously. Known as ESPR for Environment, Safety and Prevention of Risks, the audit includes a section on equipment safety and business interruption risk.

The majority of ESPR auditors belong to the Building Distribution Sector.

In 2009, 97 twelve-step audits, 278 twenty-step audits and 373 ESPR audits were carried out within the Group.

To enable unit managers to quickly and easily obtain an overview of their unit's EHS performance, a self-assessment tool has been developed, comprising a detailed list of questions and a measurement scale. There are two types of self-assessment packs for small units (less than 50 employees), one for industrial operations and the other for distribution operations.

Information Systems Department

In addition to its general responsibilities with regard to information systems, the Information Systems Department is tasked with drawing up Group systems and network security policies.

Risks and Insurance Department

The Risks and Insurance Department defines the Group's industrial and distribution risk management policies. It issues risk prevention and insurance guidelines and organizes visits to key sites by external risk prevention auditors. In 2008, around 450 such visits took place. At the end of each audit, recommendations are issued to enable site managers to draw up an action plan.

In addition to helping to reduce the risk of accidents, these audits serve to align insurance coverage with potential risks by setting appropriate limits on claims.

Since January 1, 2004, property and casualty risks at the manufacturing and distribution units, except in Brazil, are insured by a wholly-owned captive insurance company, with a cap of €12.5 million per claim.

The use of a captive insurance company facilitates risk prevention decisions. The subsidiaries' property & casualty and liability insurance programs are managed by the Risk and Insurance Department either directly or indirectly through the General Delegations.

Treasury and Financing Department

The Treasury and Financing Department defines financing policies for the entire Group (Compagnie de Saint Gobain, the General Delegations and the subsidiaries).

Cash management transactions are subject to periodic controls and the Treasury and Financing Department is audited twice a year. The audit covers financial market transactions for the previous six months, including positions that have been settled as of the period-end, and focuses on their content and any associated risks. In addition, each year the external auditors perform procedures on the accounting recognition of cash management transactions as part of their audit of the accounts.

New information systems are audited when they come on stream or subsequently. Systems in production are reviewed each year by the external auditors to assess their level of internal security.

The Internal Audit Department performs periodic reviews, on a rotating basis, of transactions by the General Delegations' cash management units, to check their compliance with Treasury and Financing Department policies and the quality of internal control.

Internal controls over cash management transactions are an integral part of internal audit plans for the subsidiaries and are also examined by the subsidiaries' external auditors.

At Group level, the cash position is monitored at monthly intervals based on detailed analyses of gross and net debt by currency, type of interest rate and maturity, before and after hedging. Due to Compagnie de Saint-Gobain's central role in the Group's financing, its debt structure is monitored through a specific monthly reporting system.

Financial Control Department

The Financial Control Department is responsible for validating capital expenditure, acquisition, divestment and merger projects and corporate actions prepared by the Sectors, following a detailed analysis of their financial impacts. The validation process also includes consulting the corporate departments and the General Delegation concerned about the project's legal, tax and employment aspects. The financial controllers' analyses are submitted by the Finance Department with the authorization request to Group senior management for a decision

Sectors and Divisions

The heads of the Sectors and Divisions are responsible for distributing the internal control reference base to their various units and for ensuring compliance with Group instructions. They are also responsible for managing the specific risks associated with their business.

General Delegations

The General Delegates are responsible for distributing the internal control reference base to the companies in their Delegation and for ensuring compliance with Group instructions. Working with the Sector and Division heads, they determine any specific conditions in which the controls defined by the Group are implemented so that local particularities can be taken into account, and deploy any additional controls that are necessary due to the specific risks associated with operations in the countries covered by the Delegation.

Standards and Reference Bases

Compagnie de Saint-Gobain has developed numerous internal control and risk management procedures for its own needs and those of its subsidiaries.

Internal control reference base

The internal control reference base describes the Group's internal control and risk management systems and presents, in a manual, all the mandatory controls to be implemented by all subsidiaries. It was produced in 2008 and rolled out to Group entities in 2009.

The internal control manual is organized around 17 areas covering substantially all transactions carried out at all levels of the Group.

The managers responsible for each area are tasked with identifying the main risks associated with the area's processes and determining the main control procedures required to avoid or limit these risks.

The controls described in the manual must be incorporated in each entity's internal procedures.

Group financial, administrative and management procedures

The Doctrine Department is responsible for preparing all financial, administrative and management procedures applicable to Group companies. Together, they compose a body of rules, methods and procedures enshrined in some 200 documents accessible on the Group's intranet, that can be used by the individual entities as a basis for developing their own internal procedures. The rules, methods and procedures are organized in four chapters, Group Organization & Procedures, Financial Reporting, News & Meeting Reports, and Issues Specific to France.

Doctrine briefs are prepared by the corporate and/or operational departments concerned, and are then approved by the Doctrine Committee made up of representatives of the Sectors and General Delegations and the Vice Presidents in charge of the corporate departments.

Reports on the Doctrine Department's activities are prepared three times a year for the Financial Statements Committee of the Board of Directors.

Around sixty doctrine briefs are issued or updated each year and made available on an Intranet. In addition, Doctrine Newsletters are sent by e-mail to some 900 finance executives within the Group and various other communication media are used to highlight specific financial developments. Training sessions, seminars and meetings are also organized on issues examined by the Doctrine Department.

In 2009, the Doctrine Department examined over 120 questions submitted directly by Group companies.

The changes made to the doctrine briefs in 2009 were decided mainly in response to (i) the creation of Shared Service Centers in certain corporate units, leading to changes in the related management procedures, (ii) the introduction of new accounting standards, such as revised standards dealing with business combinations (IFRS 3R) and changes in percent interests (IAS 27R), and (iii) upgrades of the Group's internal financial reporting system.

Environment, Health and Safety (EHS) reference manual

The EHS reference manual describes the approach to be followed by all units to meet the Group's overall objectives in terms of environmental protection and the prevention of workplace accidents and occupational diseases. The approach is organized around the core processes of identifying risks, implementing preventive action and assessing and monitoring the system's effectiveness.

The EHS reference manual is accessible on the Group intranet and is distributed to all sites. The Building Distribution Sector has adapted the manual to reflect the specific characteristics of this business.

The EHS Department and its network of correspondents have also drawn up EHS standards describing the methods to be applied to resolve specific environmental, health and safety issues. Implementation guides, procedures, training packs and computer applications have been developed to support application of the standards. These tools help to ensure that risks are measured and controlled according to the same preventive base at all Group units, whatever the country and the local laws and regulations.

NOS (NOise Standard) is a standard for identifying, assessing and managing potential exposure to noise in the workplace. Developed in 2004, it was rolled out to the entire Group in 2005, including units outside Europe.

TAS (Toxic Agents Standard) serves to identify, assess and manage potential exposure to toxic agents in the workplace. A trial version of the standard was launched in 2005 in the form of a guide to using crystalline silica, which is now being applied. The TAS framework document dated November 29, 2006 describes the background to the TAS, its objectives and how its application guides and dedicated tools should be used. Since the pilot crystalline silica project, three new TAS application guides have been published concerning: construction, renovation and maintenance of smelting furnaces, the handling of nanomaterials at the research and development centers (updated in 2008) and the use of fibrous materials.

The standard dealing with the implementation of a broad-based approach to assessing industrial risks covers the identification, measurement and prioritization of potential health and safety risks at Group sites, in order to set priorities and develop action plans for reducing and controlling those risks.

The accident analysis standard defines the required characteristics of any methods used by the Group to analyze the causes of accidents.

In January 2009, four safety standards were prepared dealing with work at height, the management of outside contractors working on-site, work permits and commissioning/decommissioning procedures.

Two other standards concerning lifting equipment and lift trucks were drafted in 2009 and distributed for application in the Divisions and Delegations in January 2010.

Information systems security

The Information Systems Department has compiled a set of rules and best practices concerning information systems and networks, comprising minimum security rules along with technical standards that are updated from time to time to keep pace with technological advances.

The department leads and coordinates yearly self-assessment exercises in these areas, supported by a reporting system that provides a basis for measuring the advances made by the various units and initiating any necessary action. The self-assessment covers the 130 control points provided for in ISO 27002. The 2009 exercise covered 689 units.

Organization of internal control and risk management processes related to the preparation and processing of financial and accounting information for shareholders

Parent company financial statements

The Accounting Department is responsible for producing financial information for shareholders, partners and other third parties in accordance with French legal requirements.

This information is prepared in accordance with generally accepted accounting principles, including the going concern principle, the principles of consistent application of accounting policies, alignment of the opening balance sheet with the prior period closing balance sheet, recognition of expenses in the same period as the revenue to which they relate, segregation of accounting periods and substance over form.

Accounting organization

The accounting organization is based on the rules, methods and procedures set out in the Group's doctrine briefs. It facilitates the monthly reconciliation and substantiation of the accounts and the creation of an audit trail. It is also geared to anticipating material events, in order to apply the most appropriate accounting treatment in each case and, where possible, detecting potential problems before they occur.

The chart of accounts is aligned with the Company's needs in terms of transaction classifications and complies with the materiality principle. It is linked to the Group's financial information system.

Internal control

In addition to performing controls over compliance with payment procedures and the double signature rule for secure payment media, the Accounting Department contributes to internal control through a cost accounting system that tracks expenses by cost center. Cost center managers receive monthly schedules listing the expenses incurred under their signature, allowing them to check these expenses and also to compare actual and year-to-date expenses with the budget.

A summary of these cost accounting reports is sent to the Finance Department and Group senior management at the end of each month.

Consolidated financial statements

The consolidated financial statements are prepared by the Consolidation and Group Reporting Department. This department is responsible for updating consolidation procedures, training the financial reporting teams of newly acquired subsidiaries and integrating these subsidiaries in the scope of consolidation, processing information, and maintaining and developing consolidation systems for the Group and all the Sectors.

Consolidation standards

The Consolidation Department is responsible for providing information and training to subsidiaries through the Sectors and General Delegations, using the consolidation manual, the intranet site and an online training application in French and English. Consolidation instructions are issued for each closing, describing the changes compared with the previous period-end and enhancements to reporting systems, standards and procedures.

In 2009, the Group continued its IFRS training program and integrated newly-acquired subsidiaries in the financial information system, making certain changes to the Group chart of accounts. The reporting structure was streamlined and the consolidation manual was comprehensively revised to include the latest changes in IFRSs and in the Group's consolidation systems.

Organization of the consolidation process

The Group has consolidation teams at the level of each direct subgroup and indirect subgroup. These teams report to the head of their Sector or General Delegation and have a dotted-line reporting relationship with the Consolidation and Group Reporting Department. This organization, which is based on the Group's organization by business (Sectors) and by region (General Delegations), is designed to guarantee the reliability of the consolidated financial statements while also ensuring that information is processed and overseen at a level as close as possible to operations staff.

Processing and control of accounting information

Each subsidiary submits its consolidation package in accordance with the timeline set by the Group. The packages are checked and processed at Sector level, reviewed by the General Delegation concerned, then transmitted to the Consolidation Department which performs an overall review of the Group accounts and records the necessary consolidation adjustments. These consolidated accounts are submitted to Group senior management every month.

The consolidated financial statements are examined by the auditors in accordance with professional auditing standards. The subsidiaries' financial statements are audited by local auditors, who apply local auditing standards and tailor their procedures to the size of the audited unit.

Consolidation systems

The consolidated financial statements are prepared using consolidation software equipped with a powerful and efficient database that is aligned with the Group's matrix management structure.

The software is capable of managing a database with several levels of consolidation and of transparently centralizing data in the database. It feeds data into a reporting system for Group senior management and the management of the Sectors and General Delegations, contributing to internal control of information output.

A reporting process that contributes to financial statement reliability

The reporting process contributes to the reliability of the annual and interim consolidated financial statements. Hard closes are performed at May 31 and October 31, to reduce the workload at June 30 and December 31. Hard close results and balance sheets are reviewed by finance executives from the Finance Department, the Sectors and the General Delegations in the same detail and in accordance with the same principles as the annual and interim financial statements. Their review also covers projected actual results to June 30 and December 31. The hard close is also reviewed by the auditors. This procedure helps to ensure early detection of any errors and their adjustment during the actual close.

Since 2006, forecasts have been adjusted at quarterly intervals to reflect differences in actual year-to-date results compared with the budget. This cross-checking by head office teams, the Sectors and the General Delegations represents a key element of the Group's system of internal control over financial and accounting information for shareholders.

Each month, a consolidated report is prepared for Group senior management, supported by discussions and analyses of material events and issues of the period.

Restrictions on the Chief Executive Officer's powers

The Chief Executive Officer was appointed by the Board of Directors on June 7, 2007. He has the powers vested in him by law. There are no restrictions on his powers in the bylaws or imposed by the Board.

STATUTORY AUDITORS' REPORT

Year ended December 31, 2009

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

Statutory Auditors' report prepared in accordance with article L.225-235 of the French Commercial Code, on the report of the Chairman of the Board of Directors of Compagnie de Saint Gobain

To the shareholders,

In our capacity as Statutory Auditors of Compagnie de Saint-Gobain, and in accordance with 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, 2009.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by article L.225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report.

These procedures mainly consisted of:

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

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

Other information

We attest that the Chairman's report sets out the other information required by article L.225-37 of the French Commercial Code.

Neuilly-sur-Seine and Paris La Défense, February 25, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit — KPMG Audit

Rémi Didier — Jean-Christophe Georghiou — Jean Gatinaud — Jean-Paul Vellutini

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

Year ended December 31, 2009

This is a free translation into English of the Statutory Auditors' special report on related party agreements and commitments issued in French 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 professional auditing standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditors of Compagnie de Saint-Gobain, we hereby report to you on related party agreements and commitments.

Agreements and commitments authorized during 2009 and up to the Board of Directors' meeting of March 25, 2010

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.

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

Commitment concerning the payment of compensation and termination benefits, in certain cases, on the termination of Pierre-André de Chalendar's duties as Chief Executive Officer

Director concerned: Pierre-André de Chalendar

At its meeting of March 25, 2010 and on the recommendation of the Appointments Committee, your Board of Directors modified the commitment made to Pierre-André de Chalendar, Chief Executive Officer, according to the following terms and conditions:

- A termination benefit will only be paid if the termination of Pierre-André de Chalendar's duties as Chief Executive Officer arises under the following circumstances:

  a) he is removed from office before the end of his term of office or his appointment as Chief Executive Officer is not renewed, other than as a result of gross or serious professional misconduct or of misconduct unrelated to his duties as Chief Executive Officer, or

  b) "forced resignation", defined as a resignation taking place in the 12 months following (i) the date on which the Shareholders' Meeting approves a merger or a demerger of Compagnie de Saint-Gobain, or (ii) the effective date of the acquisition of a controlling interest in Compagnie de Saint-Gobain by a person acting alone or several persons acting in concert, or (iii) a significant change in strategy within the Saint-Gobain Group duly formulated by the central bodies of Compagnie de Saint-Gobain and resulting in a major reorientation of the Group's business activities.

- In the case of termination of Pierre-André de Chalendar's duties as Chief Executive Officer in the aforementioned circumstances, he will receive a maximum termination benefit equal to twice the total amount of his annual fixed compensation as Chief Executive Officer, at the date of termination of his duties, and the average of his annual variable compensation as Chief Executive Officer, as paid or to payable to him for the last three full financial years during which he held the duties of Chief Executive Officer and which were closed prior to the date of termination of his duties (if three full financial years have not passed, the average will be based on the full financial years during which he held the duties of Chief Executive Officer and which were closed prior to the date of termination of his duties).

  The termination benefit will be subject to the achievement of a performance condition consisting in the allocation by the Board of Directors of variable compensation at least equal to half of the maximum amount set, on average, for the last three full financial years during which he held the duties of Chief Executive Officer and which were closed prior to the date of termination of his duties (if three full financial years have not passed, the average will be based on the full financial years during which he held the duties of Chief Executive Officer and which were closed prior to the date of termination of his duties).

In any case, Pierre-André Chalendar will not receive a termination benefit in the event that he leaves Compagnie de Saint-Gobain of his own accord, except in the aforementioned circumstances, or if upon leaving Compagnie de Saint-Gobain of his own accord in one of the aforementioned circumstances, he has, in the 12 months following the termination of his duties as Chief Executive Officer, the possibility to assert his rights to retirement under conditions which allow him to receive a pension through the defined benefit pension scheme, as described below and approved by the Shareholders' Meeting of June 5, 2008.

- Moreover, in the case of termination of Pierre-André de Chalendar's duties as Chief Executive Officer in a way that allows for him to receive the termination benefit, your Board of Directors reserves the right, on the recommendation of the Appointments Committee, to maintain or withdraw Pierre-André de Chalendar's entitlement to all or some of the Saint-Gobain stock options and free shares granted to him and that have not lapsed at the date of termination of his duties or that have not been delivered to him by this date, subject to the achievement of any performance conditions that may have been set in the rules of the plans concerned.
- Finally, as Chief Executive Officer, Pierre-André de Chalendar will continue to fully benefit from the defined benefit pension scheme, as described below and approved by the Shareholders' Meeting of June 5, 2008, under the same conditions as those which apply to all members of the scheme.

This commitment had no impact on the 2009 financial statements.

Non-compete agreement in the case of the termination of Pierre-André de Chalendar's duties as Chief Executive Officer

Director concerned: Pierre-André de Chalendar

At its meeting of March 25, 2010, your Board of Directors authorized the signature of a non-compete agreement with Pierre-André de Chalendar, under the terms of which he irrevocably undertakes to not participate in, acquire or hold any interest in any of the competitors (as defined in the non-compete agreement) of Compagnie de Saint-Gobain or of any of the companies within the Saint-Gobain Group for a period of one year following the termination of his duties as Chief Executive Officer under circumstances which allow him to receive the termination benefit, in consideration for an indemnity equal to one year of his total gross annual compensation. The total gross annual compensation is comprised of the same fixed and variable items as those used to calculate the aforementioned termination benefit.

The total amount of the non-compete indemnity and the termination benefit cannot exceed twice the total gross annual compensation of Pierre-André de Chalendar.

This agreement had no impact on the 2009 financial statements.

Group health and personal risk insurance contract for employees and corporate officers

Director concerned: Pierre-André de Chalendar

At its meeting of March 25, 2010, your Board of Directors authorized the signature of amendments to the Group health and personal risk insurance contract with URRPIMMEC (the French pension scheme for disability and illness in the metallurgical, mechanical, electrical and related industries) under which the insured parties are defined as employees and corporate officers with employee status, as described in Article L.311-3 12° of the French Social Security Code *(Code de la Sécurité Sociale)*.

This commitment had no impact on the 2009 financial statements.

Agreement relating to the lease between Société Civile Immobilière de l'Ile de France and Jean-Louis Beffa

Director concerned: Jean-Louis Beffa

At its meeting of March 25, 2010, your Board of Directors authorized the signature of a lease between *Société Civile Immobilière de l'Ile de France*, a subsidiary of Compagnie de Saint-Gobain, and Jean-Louis Beffa, relating to the apartment of which Jean-Louis Beffa is the tenant.

Based on an appraisal carried out on February 17, 2010 by the real estate valuation firm Foncia Expertise, a subsidiary of Crédit Foncier, the annual rent was fixed at €85,000 excluding charges.

This agreement had no impact the 2009 financial statements.

Agreements and commitments authorized in prior years that remained in force during the year

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

Defined benefit pension schemes for corporate officers

Directors concerned: Jean-Louis Beffa and Pierre-André de Chalendar

In accordance with the Act of August 21, 2007, which required the alignment with the Act's provisions of defined benefit pension commitments towards corporate officers outstanding at the date when the Act came into effect, at its meeting of March 20, 2008, your Board of Directors authorized the agreements related to pension benefits entered into prior to August 21, 2007 with Jean-Louis Beffa, Chairman of the Board of Directors, and Pierre-André de Chalendar, Chief Executive Officer, which specify the years of service and compensation used as the basis for calculating their benefits. These agreements were approved by the Shareholders' Meeting of June 5, 2008.

These agreements did not apply in 2009.

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

Shareholder concerned: Wendel

At its meeting of March 20, 2008, your Board of Directors accepted the proposals made and the undertakings given by Wendel in its letter to Compagnie de Saint-Gobain dated March 18, 2008, which mainly concerned corporate governance, voting rights and changes in Wendel's interest in the Company's capital. These proposals and undertakings were approved by the Shareholders' Meeting of June 5, 2008.

Bank bond and counter-guarantee for the payment of the fine imposed by the European Commission concerning the automotive glass industry

Directors concerned: Jean-Louis Beffa and Michel Pébereau

At its meeting of February 19, 2009, your Board of Directors authorized:

- the signature of an agreement with a group of banks, including BNP Paribas, for the issue of a bank bond guaranteeing payment of the €896 million fine levied by the European Commission on November 12, 2008, concerning the automotive glass industr y plus interest at the rate of 5.25% for the period from March 9, 2009, pending the outcome of the appeal lodged with the Luxembourg Court of First Instance.
- the issue of a counter-guarantee to the group of banks, including BNP Paribas.

In 2009, BNP Paribas received a total amount of €4.6 million from Compagnie de Saint-Gobain in respect of the bank bond. This agreement was approved by the Shareholders' Meeting of June 4, 2009.

Agreements with BNP Paribas concerning the financing of the takeover bid for British Plaster Board plc

Directors concerned: Jean-Louis Beffa and Michel Pébereau

Under the terms of six agreements with BNP Paribas that were authorized by your Board of Directors on July 21, 2005, in 2009 Compagnie de Saint-Gobain paid commitment and agent fees of €0.2 million to BNP Paribas, including the fees transferred by BNP Paribas to the other members of the banking syndicate. These agreements were terminated as of June 2009.

Underwriting agreement with BNP Paribas in connection with the Compagnie de Saint-Gobain rights issue

Directors concerned: Jean-Louis Beffa and Michel Pébereau

With respect to the underwriting agreement between Compagnie de Saint-Gobain with a group of banks, including BNP Paribas, in connection with the Company's rights issue decided by your Board of Directors at its meeting of February 19, 2009, in the same year BNP Paribas received commission and charges amounting to €49.0 million from Compagnie de Saint-Gobain, which includes the amounts transferred by BNP Paribas to the banks and other stakeholders involved in the transaction. This agreement was approved by the Shareholders' Meeting of June 4, 2009.

Neuilly-sur-Seine and Paris La Défense, March 26, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit		KPMG Audit Division of KPMG S.A.	
Rémi Didier	Jean-Christophe Georghiou	Jean Gatinaud	Jean-Paul Vellutini

RISK FACTORS

Macroeconomic and industry risks

Since 2008, global economic conditions have deteriorated considerably, due to the subprime crisis and subsequent credit crunch, which affected the entire banking and financial sector, volatile exchange rates and energy prices, economic slowdowns and even recessions, a loss of consumer confidence, and lower corporate earnings and capital expenditure. Financial markets throughout the world were very badly hit, leading to an unprecedented lack of liquidity in the global financial system.

Most of the Group's markets are cyclical in nature. Some of the Group's main markets bore the brunt of the current environment, particularly the building and automobile industries, which experienced falling volumes and heavy pricing pressure. To make matters worse, these markets were also affected by highly volatile feedstock and energy prices, and erratic exchange rates. The Group derives a significant portion of revenues from the building market, which is highly sensitive to national, regional and local economic trends. The building and real estate markets in the United States are among the leading victims of the current crisis. A further deterioration in the global economic environment and in financial market conditions could have a material adverse effect on the Group's sales, earnings, cash flow and outlook.

Operational risks

Risks associated with the Group's international operations

With over two-thirds of revenues generated outside France, the Group is exposed to the inherent risks of doing business internationally, including economic, political and operational risks. These risks could have a negative effect on the Group's business, earnings and financial position. Future changes in the political, legal or regulatory environment could have an adverse effect on the Group's assets, its ability to do business and its profitability in the countries concerned. The Group's businesses are exposed to various operational risks that could lead to operations being interrupted, or to the loss of customers or to financial losses.

In 2009, some 17% of consolidated sales were realized in emerging markets and Asia, where risks arising from falling GDP, exchange controls, changes in exchange rates, inflation and political instability may be greater than in developed countries.

Innovation risks

The emergence of new technologies is driving rapid change in some of the Group's markets. The Group has to keep pace with these changes and integrate the new technologies in its product offer, in order to respond effectively to customers' needs. This requires spending on research and development, with no guaranteed return on investment. The Group's sales and operating margin may be affected if it fails to invest in appropriate technologies or to rapidly bring new products to market, or if competing products are introduced or the Group's new products do not adequately respond to customers' needs.

Intellectual property risks

The Group uses manufacturing secrets, patents, trademarks and models and relies on applicable laws and regulations to protect its intellectual property rights. If the Group failed or was unable to protect, preserve or use its intellectual property rights, this could result in the loss of its exclusive right to use technologies and processes, with a material adverse effect on earnings.
In addition, the laws in some of the Group's host countries may not protect intellectual property rights to the same degree as in other countries such as France and the United States. The Group may take legal action against third parties suspected of breaching its rights. Any such lawsuits may give rise to significant costs and hamper growth in sales of the products manufactured using the rights concerned.

Risk of being unable to raise prices to reflect higher costs

The Group's businesses may be affected by fluctuations in the prices and availability of feedstocks and/or energy (such as natural gas). Its ability to pass on these cost increases or decreases to customers depends to a large extent on market conditions and practices. If the Group's ability to pass on increases in feedstock and/or energy costs were limited, this could have a material adverse effect on its financial position and earnings.

Risks associated with the integration of acquisitions

Historically, the Group has grown through acquisitions. The benefits of acquisitions depend in part on the realization of cost synergies and the seamless integration of the acquired businesses. There is no guarantee that these objectives will be met.

Risks associated with cost-reduction and restructuring programs

The Group has undertaken a variety of cost-reduction and restructuring initiatives. In 2008 and 2009 these programs delivered aggregate savings of €1,500 million (of which around €400 million in 2008). Restructuring costs came to €435 million in 2009 compared with €190 million in 2008. While further savings are planned, there is no guarantee that the forecast reductions will be achieved or that the related restructuring costs will not be more than originally budgeted. In particular, certain restructuring operations and other initiatives may cost more than expected, or the cost savings may be less than expected or take longer than expected to achieve.
An increase in restructuring costs and/or the inability of the Group to achieve the expected savings could have a material adverse effect on the Group's outlook and earnings.

Market risks

Liquidity risk on financing

Although funds were successfully raised on the European bond market in 2009, in a crisis environment the Group could be unable to raise the financing or refinancing needed to cover its investment plans on the credit market or the capital market, or to obtain such financing or refinancing on acceptable terms.
There is also no guarantee that the Company's credit rating will remain at the current level.
The Group's overall exposure to liquidity risk on net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain. Except in special cases, all of the Group companies' long-term financing needs and the majority of their short-term financing needs are met by Compagnie de Saint-Gobain or by the national delegations' cash pools.

The main objective of liquidity risk management processes is to guarantee that the Group's financing sources will be rolled over and to optimize annual borrowing costs. Long-term debt therefore systematically represents a high percentage of overall debt. At the same time, the maturity schedules of long-term debt are set in such a way that replacement capital markets issues are spread over time.
Medium-term notes are the main source of long-term financing used by the Group, along with bonds. However, it also uses perpetual bonds, participating securities, bank borrowings and lease financing.
Short-term debt is composed mainly of borrowings under French Commercial Paper ("Billets de Trésorerie") programs and, from time-to-time, Euro Commercial Paper and US Commercial Paper programs, but also includes receivables securitization programs and bank overdrafts. Short-term financial assets comprise marketable securities and cash equivalents.
The US Commercial Paper, Euro Commercial Paper and Billets de Trésorerie programs are backed by confirmed syndicated lines of credit.

A breakdown of long- and short-term debt is provided by type and maturity in Note 19 to the consolidated financial statements. Details of amounts, currencies, and acceleration clauses of the Group's financing programs and confirmed credit lines are also discussed in Note 19.
Saint-Gobain's long-term debt issues have been rated BBB with a stable outlook by Standard & Poor's since July 24, 2009 and Baa2 with a stable outlook by Moody's since July 31, 2009.

Liquidity risk on investments

Short-term investments consist of bank deposits and mutual fund units. To reduce liquidity or volatility risk, whenever possible, the Group invests in money market and/or bond funds.

Interest rate risks

The Group's overall exposure to interest rate risk on net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain using the same financing structures and methods as for liquidity risk. Where subsidiaries use derivatives to hedge interest rate risks, their counterparty is Compagnie de Saint-Gobain, the Group's parent company.

The Group's overall exposure to interest rate risk on consolidated debt is managed primarily with the objective of fixing the cost of medium-term debt and optimizing annual borrowing costs. According to Group policy, the derivative financial instruments used to hedge these risks comprise interest rate swaps, options—including caps, floors and swaptions—and forward rate agreements.

Based on a sensitivity analysis of the Group's total net debt after hedging, a 50-basis point increase in interest rates at the balance sheet date would lead to a €13 million increase in equity and a €6 million increase in income.

Foreign exchange risk

The currency hedging policies described below could be inadequate to protect the Group against unexpected or sharper than expected fluctuations in exchange rates resulting from the current economic and financial market conditions.
Foreign exchange risks are managed by hedging commercial transactions carried out by Group entities in currencies other than their functional currencies. Compagnie de Saint-Gobain and its subsidiaries use options and forward contracts to hedge exposures arising from current and future commercial transactions. The subsidiaries set up options exclusively through the Group's 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.

Wherever possible, foreign exchange risks are hedged with Compagnie de Saint-Gobain upon receipt of the orders sent by the subsidiaries, or with the local delegations' cash pools. In other cases, hedges are contracted with the subsidiaries' banks.
The Group monitors its exposure to foreign exchange risk using a monthly reporting system which captures the foreign exchange positions taken by subsidiaries. At December 31, 2009, 97% of the Group's foreign exchange position was hedged.

The net foreign exchange exposure of subsidiaries whose functional currency is not one of those presented below was as follows at December 31, 2009:

(in millions of euro equivalents)	Long	Short
EUR	2	6
USD	10	10
Other currencies	1	2
TOTAL	**13**	**18**

Based on a sensitivity analysis at December 31, 2009, a 10% increase in the exchange rates of the main currencies used by subsidiaries would have the following impact on net income:

(in € millions)	Net gain or loss
EUR	(0.4)
USD	0

A 10% fall in exchange rates at December 31, 2009 would have had a positive impact in the same amounts, assuming that all other variables were unchanged.

Energy and raw materials risk

The Group is exposed to the risk of changes in the price of raw materials used in its products and in energy prices. These prices have been particularly volatile in recent months and may remain so in the current financial and economic environment. The energy hedging programs may be inadequate to protect the Group against significant or unforeseen price swings that could result from the current financial and economic environment.

The Group limits its exposure to energy price fluctuations by using swaps and options to hedge part of its natural gas purchases in the United States, Mexico and certain European countries, its fuel oil purchases in Europe and its electricity purchases in the United Kingdom. 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, the Group Purchasing Department (Saint-Gobain Achats - SGA) and the relevant Delegations.

Hedges of gas, fuel oil and electricity purchases (excluding fixed-price purchases negotiated directly with suppliers by the Purchasing Department) are arranged by the Group Treasury and Financing Department in accordance with instructions received from SGA.

The steering committee does not manage hedges of energy purchases or purchases in geographical areas not mentioned above because:
- the volumes involved are not material, 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.

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

There can be no guarantee that raw materials that are not hedged as explained above will not be subject to sudden, considerable or unforeseen fluctuations.

Credit risk

The Group may be exposed to the risk of losses on cash and other financial instruments held or managed on its behalf by financial institutions, if any of its counterparties defaults on its obligations. Group policy is to limit its exposure by dealing solely with leading counterparties and monitoring their credit ratings, in line with guidelines approved by the Board of Directors. There is no guarantee that this policy will be effective in entirely eliminating counterparty risk. Any default by a counterparty could have a material adverse effect on the Group's objectives, operating income and financial position.

To limit the Group's exposure to credit risk, the Treasury and Financing Department only deals with counterparties with a long-term rating of A- or above from Standard & Poor's or A3 or above from Moody's, with a stable outlook in both cases. Concentrations of credit risks are closely monitored to ensure that they remain at reasonable levels. However, recent events have shown that credit risks arising from transactions with financial counterparties can escalate rapidly and that a high credit rating is no guarantee that an institution will not experience a rapid deterioration in its financial position.

Note 20 to the consolidated financial statements provides details of the Group's interest rate and energy hedges, and the interest rates for the main items of debt. It also provides a breakdown of debt by currency and interest rate (fixed or variable), as well as the interest rate repricing schedule.

Other risks

Customer credit risk

The Group's exposure to customer credit risk is limited due to its wide range of businesses, global presence and very large customer base. Past-due receivables are regularly analyzed and provisions are booked whenever necessary. Nevertheless, the current economic situation may lead to an increase in customer credit risk.

Consumer credit risk

The Group's exposure to consumer credit risk is limited due to its wide range of businesses, global presence and very large customer base. Past-due receivables are regularly analyzed and provisions are booked whenever necessary. Nevertheless, the current economic situation may lead to an increase in consumer credit risk.

Employee benefit plan risks

The Group has set up pension and other post-employment benefit plans, mainly in France, Germany, the Netherlands, the United Kingdom, the United States and Canada. Most of these plans are closed to new entrants. The funded status of the plans (which had assets of €5.4 billion at December 31, 2009) may be affected by unfavorable changes in the actuarial assumptions used to calculate the projected benefit obligation, such as a reduction in discount rates, an increase in life expectancy or higher inflation, or by a fall in the market values of plan assets, consisting mainly of equities and bonds.

At December 31, 2009, the total projected benefit obligation was €8 billion, representing a €1.2 billion increase on the year-earlier figure. However, the impact of this rise was partially offset by an increase of around €0.4 billion in the fair value of plan assets.

Risk of impairment of property, plant and equipment and intangible assets

Brands and goodwill make up a significant proportion of the Group's intangible assets, representing €2.7 billion and €10.7 billion respectively. In line with Group accounting policies, goodwill and certain other intangible assets with indefinite useful lives are tested for impairment periodically and whenever there is an indication that their carrying amount may not be fully recoverable. Goodwill and other identified intangible assets may become impaired as a result of worse-than-expected performance by the Group, unfavorable market conditions, unfavorable legal or regulatory changes or many other factors. The recognition of impairment losses on goodwill could have an adverse effect on consolidated net income. Property, plant and equipment (€13.3 billion) represent roughly 31% of total assets and may become impaired in the event of a downturn in business.

Industrial and environmental risks

The Group may be exposed to capital costs and environmental liabilities as a result of its past, present or future operations.

The main industrial and environmental risks result from the storage of hazardous substances at certain sites. Seven of the Group's plants are considered as representing "major technological risks" under European and North American regulations, and are subject to specific legislation and close supervision by the relevant authorities.

In 2009, six Saint-Gobain plants in Europe were considered classified installations under the EU Seveso II Directive. Four of these are classified as "lower tier" under the directive: Conflans Sainte-Honorine (Abrasives) in France, which stores phenolic resin; Neuburg (Packaging) in Germany and Fredrikstad (Gypsum) in Norway, which store liquefied petroleum gas (LPG); and Avilès (Flat Glass) in Spain, which stores propane (C_3H_8) and oxygen (O_2). The other two sites are classified as "upper tier": Bagneaux-sur-Loing (Flat Glass) in France, which stores arsenic (AS_2O_3); Carrascal del Rio (Flat Glass) in Spain, which stores hydrofluoric acid (HF), amongst other substances.

The Hyvinkää (Insulation) site in Finland, which was previously classified as "upper tier" under the Seveso II Directive was declassified in May 2009 as it no longer stores phenol (C_6H_6O) or formaldehyde (CH_2O).

In application of France's Act of July 30, 2003 on the prevention of technological and natural risks and the remediation of contaminated sites, specific risk prevention and safety policies have been implemented at all sites, with particular emphasis on "upper tier" Seveso sites. After accident risks and their potential impact on the environment were identified, preventive measures were implemented, covering the design and construction of storage areas, as well as the manner in which they are used and maintained. Internal contingency plans have been developed to respond to incidents. Liability for personal injury and damage to property arising from the operation of the plants is covered by the current insurance program, except for the Bagneaux-sur-Loing plant, which is insured under a specific policy taken out by the joint venture that operates the facility. In the event of a technological accident, compensation payments to victims would be organized jointly by the joint venture, the insurance broker and the insurer.

In the United States, a site in Amherst, New York is covered by the EPA's Risk Management Program Rule (RMP Rule) and the Emergency Planning and Community Right to Know Act (EPCRA) due to its storage of ammonia. The Group's other major industrial facilities require special operating permits and are regularly monitored by the local authorities. The Building Distribution sales outlets, the Group's smaller production units and plants that do not give rise to any material risks (for example, certain units where building-related Flat Glass products are made) have a limited impact on the environment, generally involving only neighborhood issues such as noise, deliveries and customer visits. As explained in the description of the reporting system, these sites are not included in the scope of the EHS environmental reporting system.

Legal risks

The Group is not subject to any specific regulations that could have an impact on its financial position, although its manufacturing subsidiaries are generally required to comply with specific national laws and regulations that vary from country to country. In France, for example, Group plants are subject to the laws and regulations applicable to classified sites. The Group is not dependent on any other companies for its technical or commercial operations, is not subject to particular confidentiality restrictions and has full access to the assets required to operate its business.

The regulations applicable to the Group may change in a manner that may be favorable or unfavorable. The introduction of stricter regulations or more diligent enforcement of existing regulations may, in some cases, open up new growth opportunities for the Group, but may also change the way the Group conducts its business, possibly leading to an increase in operating expenses or restrictions on the scope of the business or, more generally, acting as a brake on business growth.

Compagnie de Saint-Gobain has elected to be taxed under the group relief scheme provided for in articles 223 A et seq. of France's General Tax Code. The Group did not request the renewal of its entitlement to income tax assessment on the basis of its consolidated taxable income, and this regime consequently lapsed on December 31, 2006.

The Group's main legal risks concern asbestos-related litigation in France and, above all, the United States, and competition issues.

There can be no guarantee that there will be no unforeseen or significant regulatory changes in the future with a material adverse effect on the Group's business, financial position or earnings.

Asbestos-related litigation in France

In France, further individual lawsuits were filed in 2009 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 704 such lawsuits have been issued against the two companies since 1997.

At December 31, 2009, 614 of these 704 lawsuits had been completed in terms of both liability and quantum. In all of these cases, the employers were held liable on the grounds of "inexcusable fault."

Everite and Saint-Gobain PAM were held liable to pay a total amount of less than €1.3 million in compensation in settlement of these lawsuits.

Concerning the 90 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2009, the merits of 22 have been decided but the compensation awards have not yet been made, pending issue of medical reports or Appeal Court rulings. In all these cases, the Social Security authorities were ordered to pay compensation for the victims for procedural reasons (non-opposability). A further 21 of these 90 lawsuits have been completed in terms of both liability and quantum but liability for the payment of compensation has not yet been assigned.

Of the 47 remaining lawsuits, at December 31, 2009 the procedures relating to the merits of 44 cases were at different stages, with 9 being investigated by the French Social Security authorities and 35 pending before the Social Security courts. The other 3 lawsuits are pending before the Court of Appeal for reasons not involving Everite and Saint-Gobain PAM.

In addition, as of December 31, 2009, 121 suits based on inexcusable fault had been filed by current or former employees of 12 other French companies in the Group (excluding Saint-Gobain Desjonquères and Saint-Gobain Vetrotex, which have been sold), in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.

At that date, 85 lawsuits had been completed. In 23 of these cases, the employer was held liable for inexcusable fault.

For the 36 suits outstanding at December 31, 2009, arguments were being prepared by the French Social Security authorities in 5 cases, 26 were pending before the Social Security courts and 5 before the Courts of Appeal.

Asbestos-related litigation in the United States

In the United States, several companies that once manufactured products containing asbestos such as asbestos-cement pipes, roofing products, specialized insulation or gaskets, are facing legal action from persons other than their employees or former employees. 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 that have been manufacturers, distributors, installers or users of products containing asbestos.

Developments in 2009

About 4,000 new claims were filed against CertainTeed in 2009, compared to about 5,000 in 2008, 6,000 in 2007, 7,000 in 2006 and 17,000 in 2005. This decline was felt over the last five years in most States, particularly in those that had seen the greatest number of claims in the previous years. This decline reflects, among other things, State court rulings as well as change 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 of the pending claims were resolved in 2009, about the same number as were resolved in 2008 and in 2007, compared to 12,000 in 2006 and 20,000 in 2005. Taking into account the 68,000 outstanding claims at the end of 2008 and the new claims having arising during the year, as well as claims settled, some 64,000 claims were outstanding at December 31, 2009. A large number of these pending claims were filed more than five years ago by individuals without any significant asbestos-related impairment, and it is likely that many of these claims ultimately will be dismissed.

Impact on the Group's accounts

The Group recorded a €75 million charge in 2009 to cover future developments in relation to claims involving CertainTeed. This amount is identical to the amount recorded in 2008, and slightly lower than the €90 million recorded in 2007, €95 million recorded in 2006 and the €100 million recorded in 2005. At December 31, 2009, the Group reserve for asbestos-related claims against CertainTeed in the United States amounted to €347 million (USD 500 million), compared with €361 million (USD 502 million) at December 31, 2008, €321 million (USD 473 million) at December 31, 2007, €342 million (USD 451 million) at December 31, 2006 and €358 million (USD 422 million) at December 31, 2005.

Cash flow impact

Compensation paid in respect of these claims against CertainTeed, including claims settled prior to 2009 but only paid out in 2009, and those fully resolved and paid in 2009, and compensation paid (net of insurance) in 2009 by other Group businesses in connection with asbestos-related litigation, amounted to €55 million (USD 77 million), compared to €48 million (USD 71 million) in 2008, €53 million (USD 73 million) in 2007, €67 million (USD 84 million) in 2006 and €72 million (USD 89 million) in 2005. The increase in the total amount of compensation paid in 2009 compared to the amount paid in 2008 is mainly due to a higher number of malignant claims among the resolved claims. This upward trend should continue in 2010.

In Brazil, former Group employees suffering from asbestos-related occupational illness are offered either exclusively financial compensation or lifetime medical assistance combined with financial compensation. Only a small number of asbestos-related lawsuits were outstanding at December 31, 2009, and they do not represent a material risk for the companies concerned.

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

In November 2007 and 2008, the European Commission issued its decisions concerning, respectively, the construction glass industry and the automotive glass industry.

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

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

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

As a result of these developments, the €694 million provision set aside at December 31, 2007, which was reduced to €560 million at June 30, 2008 following payment of the €134 million fine, was increased to €960 million at December 31, 2008 to cover the €896 million fine, together with the cost of the bond and the estimated legal costs over the appeal period. At December 31, 2009, the provision was further increased to €991 million to cover the interest that had accrued since March 9, 2009.

The appeal against the November 12, 2008 decision is currently pending before the Court of First Instance of the European Communities.

Insurance—coverage of potential risks

The Group transfers its risks to the insurance market when this is the most efficient solution. Default by one or more of the Group's insurers could lead to financial losses.

The Group implements preventive programs and purchases insurance cover to protect its assets and revenue. The policy is determined, coordinated and overseen by the Risks and Insurance Department based on conditions in the insurance market. It defines insurance criteria for the most significant risks, such as property & casualty, business interruption, and business and product liability.

For other types of cover, 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. These represent recurring risks, for which claims are monitored internally and appropriate preventive action taken.

The 2008 policies were renewed in 2009 and the captive insurance company set up to cover property risks delivered real benefits.

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

Property & casualty and business interruption insurance

The Group has a worldwide insurance program covering non-excluded property & casualty risks and business interruption risks arising from accidental damage to insured assets. The program does not cover operations in Brazil, which are insured under a local program under the Risks and Insurance Department's supervision.

The programs meet the insurance criteria laid down by the Risks and Insurance Department:

- All policies are "all risks" policies with named exclusions.
- Claims ceilings are based on worst-case scenarios where safety systems operate effectively.
- Deductibles are proportionate to the size of the site concerned and cannot be qualified as self-insurance.

These criteria take into account current insurance offerings, which exclude certain risks, such as computer viruses and their impact on operations, and cover natural disasters like floods or storms only up to a certain amount. In extreme scenarios, such events could have a substantial uninsured financial impact in terms of both reconstruction costs and lost production costs.

The Risks and Insurance Department's policy is based on the findings of the annual audits carried out by prevention experts recognized by the Group's insurers. These audits give a clear picture of the main sites' risk exposure in the event of a fire or other incident and provide an estimate of the financial consequences in a worst-case scenario.

Individual claims in excess of €12.5 million are transferred to the insurance market. Claims representing less than this amount are self-insured through the Group's captive insurance company, which purchases reinsurance cover against increases in frequency or severity rates.

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 United States & Canada Delegation. 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 backed up by first line insurance issued in Paris, which can be activated when local cover proves inadequate.

Altogether, the level of coverage is considered as compatible with the Group's business. The program's exclusions are consistent with market practice and concern in particular potentially carcinogenic substances and gradual pollution.

The second program covers subsidiaries located in the geographic area covered by the United States & Canada Delegation. The program is structured differently to deal with the specific nature of liability risks in the United States. It is divided into several lines of coverage, allowing it to be placed on insurance markets in both London and Bermuda. The level of coverage is considered as compatible with the Group's US operations. Exclusions are in line with current market practice in the United States and primarily concern contractual liability and third party consequential loss.

Within the operating units, action is taken to raise awareness of liability risks. In the case of a claim, the deductible is paid directly by the unit concerned, representing an added incentive to contain these risks. Deductibles do 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

Joint ventures and companies not controlled by the Group are excluded from the above programs. These entities purchase separate insurance coverage, based on the advice of the Risks and Insurance Department.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

ASSETS *(in EUR millions)*	Notes	2009	2008
Goodwill	(3)	10,740	10,671
Other intangible assets	(4)	2,998	2,868
Property, plant and equipment	(5)	13,300	13,374
Investments in associates	(6)	123	116
Deferred tax assets	(15)	676	507
Other non-current assets	(7)	312	490
Non-current assets		**28,149**	**28,026**
Inventories	(8)	5,256	6,113
Trade accounts receivable	(9)	4,926	5,647
Current tax receivable		333	248
Other receivables	(9)	1,202	1,424
Cash and cash equivalents	(19)	3,157	1,937
Current assets		**14,874**	**15,369**
TOTAL ASSETS		**43,023**	**43,395**

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

EQUITY AND LIABILITIES *(in EUR millions)*	Notes	2009	2008
Capital stock	(10)	2,052	1,530
Additional paid-in capital and legal reserve		5,341	3,940
Retained earnings and net income for the year		10,137	10,911
Cumulative translation adjustments		(1,340)	(1,740)
Fair value reserves		(75)	(161)
Treasury stock	(10)	(203)	(206)
Shareholders' equity		**15,912**	**14,274**
Minority interests		302	256
Total equity		**16,214**	**14,530**
Long-term debt	(19)	8,839	10,365
Provisions for pensions and other employee benefits	(14)	2,958	2,443
Deferred tax liabilities	(15)	921	1,130
Other non-current liabilities and provisions	(16)	2,169	1,950
Non-current liabilities		**14,887**	**15,888**
Current portion of long-term debt	(19)	1,880	1,364
Current portion of other liabilities	(16)	518	460
Trade accounts payable	(17)	5,338	5,613
Current tax liabilities		108	263
Other payables and accrued expenses	(17)	3,086	3,390
Short-term debt and bank overdrafts	(19)	992	1,887
Current liabilities		**11,922**	**12,977**
TOTAL EQUITY AND LIABILITIES		**43,023**	**43,395**

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

CONSOLIDATED INCOME STATEMENT

(in EUR millions)	Notes	2009	2008
Net sales	(32)	37,786	43,800
Cost of sales	(22)	(28,804)	(32,923)
Selling, general and administrative expenses including research	(22)	(6,766)	(7,228)
Operating income		**2,216**	**3,649**
Other business income	(22)	36	54
Other business expense	(22)	(1,012)	(889)
Business income		**1,240**	**2,814**
Borrowing costs, gross		(666)	(771)
Income from cash and cash equivalents		46	64
Borrowing costs, net		**(620)**	**(707)**
Other financial income and expense	(23)	(185)	(43)
Net financial expense		**(805)**	**(750)**
Share in net income of associates	(6)	2	11
Income taxes	(15)	(196)	(638)
Net income		**241**	**1,437**
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**202**	**1,378**
Minority interests		39	59

Earnings per share (in EUR)			
Weighted average number of shares in issue		473,244,410	374,998,085
Basic earnings per share	(25)	0.43	3.67
Weighted average number of shares assuming full dilution		473,543,327	376,825,178
Diluted earnings per share	(25)	0.43	3.66

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

CONSOLIDATED STATEMENT
OF RECOGNIZED INCOME AND EXPENSE

	Shareholders' equity		Minority interests	Total equity
(in EUR millions)	Before tax effect	Tax effect		
2008				
Net income	**1,983**	**(605)**	**59**	**1,437**
Translation adjustments	(1,176)		(36)	(1,212)
Changes in fair values	(169)	50		(119)
Changes in actuarial gains and losses	(647)	228	(1)	(420)
Other	3	(10) [a]	(4)	(11)
Income and expense recognized directly in equity	**(1,989)**	**268**	**(41)**	**(1,762)**
Total recognized income and expense for the year	**(6)**	**(337)**	**18**	**(325)**
2009				
Net income	**379**	**(177)**	**39**	**241**
Translation adjustments	400		24	424
Changes in fair values	86	(26)		60
Changes in actuarial gains and losses	(724)	217		(507)
Other			3	3
Income and expense recognized directly in equity	**(238)**	**191**	**27**	**(20)**
Total recognized income and expense for the year	**141**	**14**	**66**	**221**

(a) Deferred tax assets recognized in 2007 in respect of tax credits receivable on exercise of stock options held by UK and US employees were updated and accordingly reduced in 2008. Of the total adjustment, €10 million was recognized in equity and €5 million in profit.

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

CONSOLIDATED CASH FLOW STATEMENT

(in EUR millions)	Notes	2009	2008
Net income attributable to equity holders of the parent		**202**	**1,378**
Minority interests in net income		39	59
Share in net income of associates, net of dividends received	(6)	2	(7)
Depreciation, amortization and impairment of assets	(22)	1,857	1,681
Gains and losses on disposals of assets	(22)	32	(53)
Unrealized gains and losses arising from changes in fair value and share-based payments		100	15
Changes in inventories	(8)	989	(205)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(9) (17)	509	477
Changes in tax receivable and payable	(15)	(216)	(96)
Changes in deferred taxes and provisions for other liabilities and charges	(14)(15)(16)	(124)	(270)
Charge to provision for competition litigation	(27)	0	400
Net cash from operating activities		**3,390**	**3,379**
Purchases of property, plant and equipment [2009: (1,249), 2008: (2,149)] and intangible assets	(4) (5)	(1,319)	(2,228)
Increase (decrease) in amounts due to suppliers of fixed assets	(17)	(105)	(70)
Acquisitions of shares in consolidated companies [2009: (200), 2008: (2,328)], net of cash acquired	(2)	(180)	(2,226)
Acquisitions of other investments	(7)	(4)	(30)
Increase in investment-related liabilities	(16)	29	159
Decrease in investment-related liabilities	(16)	(59)	(103)
Investments		**(1,638)**	**(4,498)**
Disposals of property, plant and equipment and intangible assets	(4) (5)	71	174
Disposals of shares in consolidated companies, net of cash divested	(2)	6	42
Disposals of other investments and other divestments	(7)	6	27
Divestments		**83**	**243**
Increase in loans and deposits	(7)	(39)	(53)
Decrease in loans and deposits	(7)	47	55
Net cash from (used in) investing activities		**(1,547)**	**(4,253)**
Issues of capital stock	(*)	1,923	356
Minority interests' share in capital increases of subsidiaries	(*)	6	4
(Increase) decrease in treasury stock	(*)	6	(7)
Dividends paid	(*)	(486)	(767)
Dividends paid to minority shareholders of consolidated subsidiaries and increase (decrease) in dividends payable		(27)	(65)
Increase (decrease) in bank overdrafts and other short-term debt		(985)	762
Increase in long-term debt		2,281	2,987
Decrease in long-term debt		(3,389)	(1,642)
Net cash from (used in) financing activities		**(671)**	**1,628**
Increase (decrease) in cash and cash equivalents		**1,172**	**754**
Net effect of exchange rate changes on cash and cash equivalents		48	(111)
Cash and cash equivalents at beginning of year		**1,937**	**1,294**
Cash and cash equivalents at end of year		**3,157**	**1,937**

(*) References to the consolidated statement of changes in equity.
Income tax paid amounted to €655 million in 2009 (2008: €734 million). Interest paid net of interest received amounted to €592 million in 2009 (2008: €603 million).

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Number of shares)		*(in EUR millions)*								
	Issued	Outstanding (excluding treasury stock)	Capital stock	Additional paid-in capital and legal reserve	Retained earnings and net income for the year	Cumulative translation adjust-ments	Fair value reserves	Treasury stock	Share-holders' equity	Minority interests	Total equity
At December 31, 2007	374,216,152	369,840,183	1,497	3,617	10,625	(564)	8	(206)	14,977	290	15,267
Income and expenses recognized directly in equity			0	0	(376)	(1,176)	(169)	0	(1,721)	(41)	(1,762)
Net income for the year					1,378				1,378	59	1,437
Total recognized income and expense for the year			**0**	**0**	**1,002**	**(1,176)**	**(169)**	**0**	**(343)**	**18**	**(325)**
Issues of capital stock											
Group Savings Plan	8,272,947	8,272,947	33	320					353		353
Stock option plans	82,886	82,886		3					3		3
Other		0							0	4	4
Dividends paid (EUR 2.05 per share)					(767)				(767)	(56)	(823)
Treasury stock purchased		(2,898,905)						(131)	(131)		(131)
Treasury stock cancelled									0		0
Treasury stock sold		2,729,725			(7)			131	124		124
Share-based payments					58				58		58
At December 31, 2008	382,571,985	378,026,836	1,530	3,940	10,911	(1,740)	(161)	(206)	14,274	256	14,530
Income and expenses recognized directly in equity			0	0	(533)	400	86	0	(47)	27	(20)
Net income for the year					202				202	39	241
Total recognized income and expense for the year			**0**	**0**	**(331)**	**400**	**86**	**0**	**155**	**66**	**221**
Issues of capital stock											
March 23, 2009 rights issue	108,017,212	108,017,212	432	1,042					1,474		1,474
Group Savings Plan	8,498,377	8,498,377	34	100					134		134
Stock dividends	13,805,920	13,805,920	56	258					314		314
Stock option plans	37,522	37,522		1					1		1
Other		0							0	6	6
Dividends paid (EUR 1.00 per share)					(486)				(486)	(26)	(512)
Treasury stock purchased		(2,238,941)						(72)	(72)		(72)
Treasury stock cancelled									0		0
Treasury stock sold		2,326,591			3			75	78		78
Share-based payments					40				40		40
At December 31, 2009	512,931,016	508,473,517	2,052	5,341	10,137	(1,340)	(75)	(203)	15,912	302	16,214

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, 2009. They have also been prepared in accordance 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 elected to apply IAS 32 and IAS 39 relating to financial instruments and IFRS 2 relating to share-based payments as of January 1, 2004.

The accounting policies applied are consistent with those used to prepare the financial statements for the year ended December 31, 2008. The consolidated financial statements have been prepared using the historical cost convention, except for certain assets and liabilities that have been measured using the fair value model as explained in these notes.

The standards, interpretations and amendments to published standards applicable for the first time in 2009 (see the table below) do not have a material impact on the Group's consolidated financial statements. In particular, IFRS 8 – *(Operating Segments)* does not have any impact on the presentation of information by sector and division in Note 32.

Following adoption of IAS 23 – *(Borrowing Costs)*, the Group elected to capitalize interest expense on qualifying assets as from January 1, 2009.

IFRIC 14 – *(The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction)* does not have any impact on the 2009 accounts, as the Group has pension plan surpluses in the majority of cases.

The Group has not early adopted any new standards, interpretations or amendments to published standards that are applicable for financial years beginning on or after January 1, 2010 (see table below).

These consolidated financial statements were adopted by the Board of Directors on February 25, 2010 and will be submitted to the Shareholders' Meeting for approval. They are presented in millions of euros.

Estimates and assumptions

The preparation of consolidated financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the period. These estimates and assumptions are based on past experience and on various other factors, including the sharp deterioration in the economic and financial environment, which makes assessing the business outlook difficult. Actual amounts may differ from those obtained through the use of these estimates and assumptions.

The main estimates and assumptions described in these notes concern the measurement of employee benefit obligations (Note 14), provisions for other liabilities and charges (Note 16), asset impairment tests (Note 1), deferred taxes (Note 15), share-based payments (Notes 11, 12 and 13) and financial instruments (Note 20). 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 applicable in 2009

IAS 1R	Presentation of Financial Statements
Amendments to IAS 23	Borrowing Costs
Amendments to IAS 32 and IAS 1	Puttable Instruments and Instruments with Obligations Arising on Liquidation
Amendments to IFRS 1 and IAS 27	Determining the Cost of Investments in Subsidiaries, Jointly Controlled Entities and Associates in the Separate Financial Statements
Amendments to IFRS 2	Vesting Conditions and Cancellations
Amendments to IFRS 7 and IAS 39	Enhanced Disclosures about Financial Instruments and Reclassifications of Financial Assets
IFRS 8	Operating Segments
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
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

Standards, interpretations and amendments to existing standards early adopted in 2009

IAS 27R	Consolidated and Separate Financial Statements
Amendments to IFRS 2	Group Cash-Settled Share-Based Payment Transactions
IFRS 3R	Business Combinations (Phase 2)
Amendments to IAS 32	Classification of Rights Issues
Amendments to IAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRIC 17	Distributions of Non-Cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers

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

Consolidation

Scope of consolidation

The Group's consolidated financial statements include the accounts of Compagnie de Saint-Gobain and of all companies controlled by the Group, as well as those of jointly controlled companies and companies over which the Group exercises significant influence.

Significant changes in the Group's scope of consolidation during 2009 are presented in Note 2 and a list of the principal consolidated companies at December 31, 2009 is provided in Note 33.

Consolidation methods

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

Interests in jointly controlled entities are proportionately consolidated. The Group has elected not to apply the alternative treatment permitted by IAS 31, under which jointly controlled companies may be accounted for by the equity method, and has continued to apply the proportionate consolidation 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 call options on minority interests are taken into account in determining whether the Group exclusively controls an entity only when the options are currently exercisable.

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

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

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

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

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

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

Intragroup transactions

All intragroup balances and transactions are eliminated in consolidation.

Minority interests

Transactions with minority interests are treated in the same way 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 Compagnie de Saint-Gobain's functional and presentation currency.

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

The Group's share of any translation gains or losses is included in equity under "Cumulative translation adjustments" until the foreign operations to which they relate are sold or liquidated, at which time they are taken to the income statement. The Group elected to use the exemption allowed under IFRS 1, by resetting to zero at January 1, 2004 the cumulative translation differences that existed at the IFRS transition date.

Foreign currency transactions

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

Balance sheet items

Goodwill

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 retroactively 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 arising on 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 national and/or international reputation. These brands are not amortized but are tested for impairment on an annual basis. Other brands are amortized over their useful lives, not to exceed 40 years.

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

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

The greenhouse gas emissions allowances granted to the Group have not been recognized as assets in the consolidated financial statements, 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 of 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 of property, plant and equipment purchases.

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

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

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

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

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

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

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

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

Finance leases and operating leases

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

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

Rental payments under operating leases are expensed as incurred.

Non-current financial assets

Non-current financial assets include available-for-sale and other securities, as well as other non-current assets, which primarily comprise long-term loans and deposits.

Investments classified as "available-for-sale" are carried at fair value. Unrealized gains and losses on these investments are recognized in equity, unless the investments have suffered an other-than-temporary or material decline in value, in which case an impairment loss is recorded in the income statement.

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

Property, plant and equipment, goodwill and other intangible assets are tested for impairment on a regular basis. These tests consist of comparing the asset's carrying amount to its recoverable amount. Recoverable amount is the higher of the asset's fair value less costs to sell and its value in use, calculated by reference to the present value of the future cash flows expected to be derived from the asset.

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

For goodwill and other intangible assets (including brands with indefinite useful lives), an impairment test is performed at least annually based on the five-year business plan. Goodwill is reviewed systematically and exhaustively at the level of each cash-generating unit (CGU) and where necessary more detailed tests are carried out. Exceptionally, in 2009 impairment tests were performed twice, at the end of June and again at the end of December, with the December test based on the 2010 budget instead of the first year of the 2010-2014 business plan. The Group's reporting segments are its business sectors, which may each include several CGUs. A CGU is a reporting sub-segment, generally defined as a core business of the segment in a given geographical area. It typically reflects the manner in which the Group organizes its business and analyzes its results for internal reporting purposes. A total of 38 main CGUs have been identified and are monitored each year.

Goodwill and brands are allocated mainly to the Gypsum and Industrial Mortars CGUs and to the Building Distribution CGUs primarily in the United Kingdom, France and Scandinavia.

The method used for these impairment tests is consistent with that employed by the Group for the valuation of companies acquired in business combinations or acquisitions of equity interests. The carrying amount of the CGUs is compared to their value in use, corresponding to the present value of future cash flows excluding interest but including tax. Cash flows for the fifth year of the business plan are rolled forward over the following two years. For impairment tests of goodwill, normative cash flows (corresponding to cash flows at the mid-point in the business cycle) are then projected to perpetuity using a low annual growth rate (generally 1%, except for emerging markets or businesses with a high organic growth potential where a 1.5% rate may be used). The discount rate applied to these cash flows corresponds to the Group's average cost of capital (7.25% in 2009 and 7.5% in 2008) plus a country risk premium where appropriate depending on the geographic area concerned. The discount rates applied in 2009 for the main operating regions were 7.25% for the euro zone and North America, 8.25% for Eastern Europe and China and 8.75% for South America.

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

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

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

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

Tests performed in 2009 led to the recognition of a €215 million impairment loss on Gypsum Division assets in North America, due to worsening market conditions in the region.

Based on the latest projections, a 0.5-point reduction in projected average annual growth in cash flows to perpetuity for all the CGUs except for the Gypsum Division in North America would not result in the recognition of any impairment loss on intangible assets, while a 0.5-point increase in the discount rate applied to all the CGUs except for the Gypsum Division in North America would lead to the recognition of an impairment loss of less than €30 million on consolidated intangible assets.

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

Inventories

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

Operating receivables and payables

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

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

Net debt

Long-term debt

Long-term debt includes bonds, Medium Term Notes, perpetual bonds, participating securities and all other types of long-term financial liabilities including lease liabilities and the fair value of derivatives qualifying as interest rate hedges.

Under IAS 32, the distinction between financial liabilities and equity is based on the substance of the contracts concerned rather than their legal form. As a result, participating securities are classified as debt and not as quasi-equity. At the balance sheet date, long-term debt is measured at amortized cost. Premiums and issuance costs are amortized using the effective interest method.

Short-term debt

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

Cash and cash equivalents

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

Further details about long- and short-term debt are provided in Note 19.

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

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

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

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

Fair value hedges

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

Cash flow hedges

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

Derivatives that do not qualify for hedge accounting

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

Fair value of financial instruments

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

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

Employee benefits – defined benefit plans

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

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

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

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

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

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

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

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

Employee benefits – defined contribution plans

Contributions to defined contribution plans are expensed as incurred.

Employee benefits – share-based payments

Stock options

At the IFRS transition date (January 1, 2004) the Saint-Gobain Group elected to apply IFRS 2 to its November 20, 2002 stock option plan and all subsequent plans.

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

- Volatility assumptions that take into account the historical volatility of the share price over a rolling 10-year period, as well as implied volatility from traded share options. Periods during which the share price was extraordinarily volatile are disregarded.
- Assumptions relating to the average holding period of options, based on observed behavior of option holders.
- Expected dividends, as estimated on the basis of historical information dating back to 1988.
- A risk-free interest rate corresponding to the yield on long-term government bonds.

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

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

Group Savings Plan

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

- The exercise price, as set by the Board of Directors, corresponds to the average of the opening share prices quoted over the 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 when the plan's terms and conditions are announced on the Group's intranet.
- The interest rate used to estimate the cost of the lock-up feature of employee share awards is the rate that would be charged by a bank to an individual with an average risk profile for a general purpose five- or ten-year consumer loan repayable at maturity.

In 2008 and 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 plan costs are calculated under IFRS 2 in the same way as for the non-leveraged plan, but also take into account the advantage accruing to employees who have access to share prices with a volatility profile adapted to institutional investors.

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

Performance share grants

In 2009, the Group set up a worldwide performance share plan whereby each Group employee was awarded seven shares, and a performance share plan for certain categories of employees. Both plans are subject to eligibility criteria based on the grantee's period of service with the Group. The plan costs calculated under IFRS 2 take into account the eligibility criteria, the performance criteria – which are described in Note 13 – and the lock-up feature. They are determined after deducting the present value of forfeited dividends on the performance shares and are recognized over the vesting period, which ranges from two to four years depending on the country.

Equity

Additional paid-in capital and legal reserve

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

Retained earnings and net income for the year

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

Treasury stock

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

Other current and non-current liabilities and provisions

Provisions for other liabilities and charges

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

If the timing or the amount of the obligation cannot be measured reliably, it is classified as a contingent liability and reported as an off-balance sheet commitment. However, contingent liabilities arising on business combinations 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 put options granted to minority shareholders of subsidiaries and liabilities relating to the acquisition of shares in Group companies, including additional purchase consideration. They are reviewed on a periodic basis. The impact of discounting adjustments reflecting 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 are accounted for using the percentage of completion method, as explained below. When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the balance sheet date. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recovered. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

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

Operating income

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

Other business income and expense

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

Business income

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

Net financial expense

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

Income taxes

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

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

Deferred tax assets are recognized only if it is considered probable that there will be sufficient future taxable income against which the temporary difference can be utilized. They are reviewed at each balance sheet date and written down to the extent that it is no longer probable that there will be sufficient taxable income against which the temporary difference can be utilized.

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

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

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

Earnings per share

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

Diluted earnings per share are calculated by adjusting earnings per share (see Note 25) and the average number of shares in issue for the effects of all dilutive potential common shares, such as stock options and convertible bonds. The calculation is performed using the treasury stock method, which assumes that the proceeds from the exercise of dilutive instruments are assigned on a priority basis to the purchase of common shares in the market.

Recurring net income

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

The method used for calculating recurring net income is explained in Note 24.

Return on capital employed

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

EBITDA

EBITDA corresponds to operating income before depreciation and amortization.

The method used for calculating EBITDA is explained in Note 24.

Cash flow from operations

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

The method used for calculating cash flow from operations is explained in Note 24.

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

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

The method used for calculating cash flow from operations before tax on capital gains or losses is explained in Note 24.

Segment information

In compliance with IFRS 8, segment information reflects the Group's internal presentation of operating results to senior management.

NOTE 2 Changes in Group structure

Changes in the number of consolidated companies

2009

	France	Outside France	Total
Fully consolidated companies			
At January 1	208	1,127	1,335
Newly consolidated companies	7	38	45
Merged companies	(25)	(176)	(201)
Deconsolidated companies		(4)	(4)
Change in consolidation method		2	2
At December 31	190	987	1,177
Proportionately consolidated companies			
At January 1	2	20	22
Newly consolidated companies		2	2
Merged companies			0
Change in consolidation method		(1)	(1)
At December 31	2	21	23
Companies accounted for by the equity method			
At January 1	7	63	70
Newly consolidated companies		1	1
Merged companies		(2)	(2)
Deconsolidated companies		(4)	(4)
Change in consolidation method		(1)	(1)
At December 31	7	57	64
TOTAL AT DECEMBER 31	**199**	**1,065**	**1,264**

Significant changes in Group structure

2009

No material acquisitions were made in 2009. Allocation of the Maxit acquisition price was completed during the first half, within the 12 months following the March 2008 acquisition of this business, leading to the recognition of brands in the consolidated balance sheet for an amount of €84 million or €62 million after deferred taxes.

2008

On March 13, 2008, Saint-Gobain completed the acquisition of the Maxit group from HeidelbergCement for €2,087 million including €559 million in assumed net debt.

Maxit was consolidated from March 1, 2008 within the Industrial Mortars Division, contributing €1,019 million to consolidated net sales for that year.

The provisional allocation of the acquisition price to the identifiable assets and liabilities acquired at December 31, 2008 led to positive fair value adjustments to inventories for €13 million and to property, plant and equipment for €48 million, negative fair value adjustments to non-current financial assets of €11 million, and a €19 million increase before tax in liabilities and contingent liabilities. Goodwill arising on the business combination was provisionally estimated at €1,539 million at December 31, 2008.

During 2008, the Group acquired two building materials distribution companies, Dalhoff Larsen & Horneman A/S (DLH) in Denmark and Famar Desi in Estonia. UK-based building materials distributor Gibbs & Dandy was also acquired, through a cash offer that closed on July 1, 2008.

Impact on the consolidated balance sheet

The impact on the balance sheet at December 31, 2009 of changes in Group structure and in consolidation methods was as follows:

(in EUR millions)	Companies consolidated for the first time	Companies removed from the scope of consolidation	Total
Impact on assets			
Non-current assets	262	(6)	256
Inventories	20		20
Trade accounts receivable	37		37
Other current assets excluding cash and cash equivalents	12		12
	331	**(6)**	**325**
Impact on equity and liabilities			
Shareholders' equity and minority interests			0
Provisions for pensions and other employee benefits	4		4
Non-current liabilities	63		63
Trade accounts payable	30		30
Other payables and accrued expenses	53		53
	150	**0**	**150**
Enterprise value of consolidated companies acquired/divested (a)	**181**	**(6)**	**175**
Impact on consolidated net debt*			
Impact on cash and cash equivalents	20		20
Impact on net debt excluding cash and cash equivalents (b)	1		1
	(19)	**0**	**(19)**
Acquisitions/disposals of shares in consolidated companies net of cash acquired/divested (a) - (b)	**180**	**(6)**	**174**

** Corresponding to the debt, short-term credit facilities and cash and cash equivalents of acquired/divested companies.*

NOTE 3 Goodwill

(in EUR millions)	2009	2008
At January 1		
Gross value	10,924	9,440
Accumulated impairment	(253)	(200)
Net	**10,671**	**9,240**
Movements during the year		
Changes in Group structure	113	2,076
Impairment	(210)	(68)
Translation adjustments	166	(577)
Reclassification to assets held for sale	0	0
Total	**69**	**1,431**
At December 31		
Gross value	11,178	10,924
Accumulated impairment	(438)	(253)
Net	**10,740**	**10,671**

Movements in goodwill during 2009 included €210 million in write-downs, related mainly to Gypsum Division goodwill in North America.

Movements in goodwill during 2008 were due mainly to the acquisition of the Maxit group (acquisition cost: €2,087 million including assumed net debt; provisional goodwill: €1,539 million – see Note 2) and of various Building Distribution companies, mainly in Scandinavia, the United Kingdom, the Baltic countries and France (see Note 2).

NOTE 4 Other intangible assets

(in EUR millions)	Patents	Non-amortizable brands	Software	Develop-ment costs	Other	Total
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**
Movements during the year						
Changes in group structure	1		46	1	(26)	22
Acquisitions			43	8	28	79
Disposals			(3)		1	(2)
Translation adjustments		(250)	(8)		(2)	(260)
Amortization and impairment	(2)		(76)	(7)	(11)	(96)
Total movements	**(1)**	**(250)**	**2**	**2**	**(10)**	**(257)**
At December 31, 2008						
Gross value	113	2,513	684	54	276	3,640
Accumulated amortization and impairment	(98)		(492)	(27)	(155)	(772)
Net	**15**	**2,513**	**192**	**27**	**121**	**2,868**
Movements during the year						
Changes in group structure	1	84	9		(9)	85
Acquisitions	2		50	8	10	70
Disposals			(3)		(2)	(5)
Translation adjustments		77	6		1	84
Amortization and impairment	(2)		(78)	(8)	(16)	(104)
Total movements	**1**	**161**	**(16)**	**0**	**(16)**	**130**
At December 31, 2009						
Gross value	114	2,674	737	62	273	3,860
Accumulated amortization and impairment	(98)		(561)	(35)	(168)	(862)
Net	**16**	**2,674**	**176**	**27**	**105**	**2,998**

The increase in "Non-amortizable brands" includes €84 million attributable to completion of the Maxit purchase price allocation. The "Other" column includes amortizable manufacturing brands totaling €43 million at December 31, 2009 (December 31, 2008: €47 million).

In April 2008, European companies in the Group returned the final greenhouse gas emissions allowances allocated for the period 2005-2007. Allowances issued to the Group under the 2008-2012 program represent some 6.9 million metric tons of CO_2 emissions per year. The 2009 allowances cover the greenhouse gas emissions for the year; consequently, no provision has been recorded in the accounts in this respect.

NOTE 5 Property, plant and equipment

(in EUR millions)	Land and quarries	Buildings	Machinery and equipment	Assets under construction	Total
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**
Movements during the year					
Changes in group structure and reclassifications	130	228	302	0	660
Acquisitions	94	135	600	1,334	2,163
Disposals	(17)	(26)	(31)	(12)	(86)
Translation adjustments	(70)	(203)	(279)	(46)	(598)
Depreciation and impairment	(36)	(273)	(1,195)	(14)	(1,518)
Transfers	0	417	1,135	(1,552)	0
Total movements	**101**	**278**	**532**	**(290)**	**621**
At December 31, 2008					
Gross value	2,116	7,554	19,078	1,415	30,163
Accumulated depreciation and impairment	(322)	(3,766)	(12,682)	(19)	(16,789)
Net	**1,794**	**3,788**	**6,396**	**1,396**	**13,374**
Movements during the year					
Changes in group structure and reclassifications	27	16	30	6	79
Acquisitions	41	66	283	875	1,265
Disposals	(15)	(19)	(47)	(11)	(92)
Translation adjustments	24	52	88	11	175
Depreciation and impairment	(33)	(291)	(1,171)	(6)	(1,501)
Transfers	0	288	959	(1,247)	0
Total movements	**44**	**112**	**142**	**(372)**	**(74)**
At December 31, 2009					
Gross value	2,188	7,921	19,842	1,034	30,985
Accumulated depreciation and impairment	(350)	(4,021)	(13,304)	(10)	(17,685)
Net	**1,838**	**3,900**	**6,538**	**1,024**	**13,300**

Acquisitions of property, plant and equipment during 2009 included assets acquired under finance leases for an amount of €16 million (2008: €14 million). These new finance leases are not included in the cash flow statement in accordance with IAS 7. At December 31, 2009, total property, plant and equipment acquired under finance leases amounted to €168 million (December 31, 2008: €201 million) (see Note 26).

In 2008, "Changes in Group structure and reclassifications" primarily corresponded to the €438 million impact of the Maxit acquisition.

NOTE 6 Investments in associates

(in EUR millions)	2009	2008
At January 1		
Equity in associates	98	106
Goodwill	18	17
Investments in associates	**116**	**123**
Movements during the year		
Changes in group structure	(4)	(9)
Translation adjustments	8	(6)
Transfers, share issues and other movements	5	1
Dividends paid	(4)	(4)
Share in net income of associates	2	11
Total movements	**7**	**(7)**
At December 31		
Equity in associates	105	98
Goodwill	18	18
Investments in associates	**123**	**116**

Investments in associates include shares in Compania Industrial El Volcan, which is listed on the Santiago de Chile stock exchange. At December 31, 2009, the market value of the shares was higher than the carrying amount of the Group's equity in the company's net assets.

Net sales recorded in the individual financial statements of associates totaled €689 million in 2009 (2008: €798 million) and aggregate net income totaled €11 million (2008: €34 million). At December 31, 2009, total assets and liabilities of these companies amounted to €788 million and €450 million, respectively (December 31, 2008: €766 million and €448 million).

NOTE 7 Other non-current assets

(in EUR millions)	Available-for-sale and other securities	Capitalized loans and deposits	Plan surpluses	Total
At December 31, 2007				
Gross value	145	205	147	497
Provisions for impairment in value	(19)	(6)		(25)
Net	**126**	**199**	**147**	**472**
Movements during the year				
Changes in group structure	(61)	17		(44)
Increases/(decreases)	9	(2)	89	96
Movements in provisions for impairment in value		(2)		(2)
Translation adjustments	(4)	(6)	(30)	(40)
Transfers and other movements		8		8
Total movements	**(56)**	**15**	**59**	**18**
At December 31, 2008				
Gross value	86	227	206	519
Provisions for impairment in value	(16)	(13)		(29)
Net	**70**	**214**	**206**	**490**
Movements during the year				
Changes in group structure	(27)	1		(26)
Increases/(decreases)	3	(8)	(108)	(113)
Movements in provisions for impairment in value	(14)	(30)		(44)
Translation adjustments	1	5	(2)	4
Transfers and other movements	(5)	6		1
Total movements	**(42)**	**(26)**	**(110)**	**(178)**
At December 31, 2009				
Gross value	59	231	96	386
Provisions for impairment in value	(31)	(43)		(74)
Net	**28**	**188**	**96**	**312**

The increase in impairment provisions on other non-current assets in 2009 reflects €48 million in additions (2008: €5 million) and €4 million in reversals (2008: €3 million). Additions to provisions concerned stocks and bonds held by the Group.

The decrease in "Available-for-sale and other securities" in 2008 was mainly due to the consolidation of companies acquired at the end of 2007.

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

NOTE 8 Inventories

(in EUR millions)	Dec. 31, 2009	Dec. 31, 2008
Gross value		
Raw materials	1,299	1,491
Work in progress	219	274
Finished goods	4,194	4,754
Gross inventories	**5,712**	**6,519**
Provisions for impairment in value		
Raw materials	(120)	(97)
Work in progress	(8)	(7)
Finished goods	(328)	(302)
Provisions for impairment in value	**(456)**	**(406)**
Net	**5,256**	**6,113**

In 2009, cost of sales came to €28,804 million (2008: 32,923 million).

Impairment losses on inventories recorded in the 2009 income statement totaled €178 million (2008: €128 million). Impairment reversals, due to increases in the net realizable value of inventories, amounted to €92 million in 2009 (2008: €92 million) and were recorded as a deduction from impairment losses for the year.

NOTE 9 Trade and other accounts receivable

(in EUR millions)	Dec. 31, 2009	Dec. 31, 2008
Gross value	5,430	6,084
Provisions for impairment in value	(504)	(437)
Trade accounts receivable	**4,926**	**5,647**
Advances to suppliers	410	561
Prepaid payroll taxes	28	26
Other prepaid and recoverable taxes (other than income tax)	357	356
Other	418	489
- France	89	180
- Other Western European countries	135	146
- North America	15	(11)
- Emerging countries and Asia	179	174
Provisions for impairment in value	(11)	(8)
Other receivables	**1,202**	**1,424**

The increase in impairment provisions for trade accounts receivable in 2009 reflects €110 million in additions (2008: €101 million) and €50 million in reversals (2008: €57 million) - resulting from recoveries as well as write-offs. Bad debt write-offs are also reported under this caption, for €74 million (2008: €58 million).

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

The Group considers that its exposure to concentrations of credit risk is limited due to its diversified business line-up, broad customer base and global presence. Past-due trade receivables are regularly monitored and analyzed, and provisions are set aside when appropriate. Net past-due trade receivables amounted to €756 million at December 31, 2009 (December 31, 2008: €845 million), including €149 million over three months past-due.

NOTE 10 Equity

Number of shares outstanding

At December 31, 2009, Compagnie de Saint-Gobain's capital stock comprised 512,931,016 shares of common stock with a par value of €4 each, all in the same class (December 31, 2008: 382,571,985 shares).

On March 23, 2009, the Group issued 108,017,212 shares. The issue proceeds, net of issuance costs, amounted to €1,474 million.

Stock dividends paid in 2009 totaled €314 million, net of issuance costs, corresponding to 13,805,920 new shares.

During 2009, 8,498,377 new shares were issued to members of the 2009 Group Savings Plan at a price of €15.80, representing total proceeds of €134 million, and 37,522 shares were issued on exercise of November 20, 2003 stock options for a total of €1 million.

At the Annual General Meeting of June 4, 2009, shareholders authorized the Board of Directors of Compagnie de Saint-Gobain to:

- Issue, on one or several occasions, up to 195 million new shares with or without pre-emptive or priority subscription rights for existing shareholders (thirteenth to seventeenth resolutions/ 26-month authorization commencing June 4, 2009).
- Issue, on one or several occasions, up to 23.75 million new shares to members of the Group Savings Plan (eighteenth resolution/26-month authorization commencing June 4, 2009).
- Grant stock options exercisable for shares representing up to 3% of capital stock on the Meeting date, i.e. 14,972,627 options exercisable for the same number of shares (nineteenth resolution/38-month authorization commencing June 4, 2009).

In the twentieth resolution, the Board was authorized to make performance share grants representing up to 1% of the capital stock on the Meeting date, i.e. grants of 4,990,875 shares. If this authorization were to be used, the performance shares would be deducted from the shares available for the stock option plan.

The Board of Directors used these authorizations on November 19, 2009 to grant 1,479,460 stock options and an estimated 1,675,506 performance shares. Consequently, the Board is currently authorized to issue 11,817,661 shares under stock option and performance share plans (of which 3,315,369 under performance share plans).

If all outstanding stock options were to be exercised and all outstanding performance shares were to vest, this would potentially have the effect of increasing the number of shares outstanding to 539,184,174. In addition, if the authorizations described above were to be used in full, this would potentially have the effect of increasing the number of shares outstanding to 769,751,835.

At the Annual General Meeting of June 4, 2009, the Board of Directors was authorized to issue equity warrants in the event of a public tender offer for the Company's shares, in accordance with the French Act of March 31, 2006 on takeover bids (twenty-second resolution). Under this authorization, the Group may issue up to €490 million worth of stock (excluding premiums), representing 122,500,000 shares.

Treasury stock

Saint-Gobain shares held by Compagnie de Saint-Gobain are shown as a deduction from shareholders' equity under "Treasury stock" at historical cost. At December 31, 2009, 4,457,499 shares were held in treasury (December 31, 2008: 4,545,149).

In 2009, 183,577 shares were bought back on the market (2008: 0) and 215, 304 shares were sold upon exercise of stock options (2008: 115,490). No shares were cancelled in either 2009 or 2008.

The liquidity contract set up with Exane BNP Paribas on November 16, 2007 was rolled over in 2008 and 2009. This contract complies with the Code of Ethics adopted by the Association Française des Entreprises d'Investissement (AFEI) recognized by the Autorité des Marchés Financiers (AMF). During 2009, 2,055,364 shares were purchased under the contract (2008: 2,829,382 shares) and 2,111,287 shares were sold (2008: 2,614,235 shares).

In view of their highly liquid nature, funds allocated to the liquidity contract but not invested in Saint-Gobain stock are classified as cash and cash equivalents.

NOTE 11 Stock option plans

Compagnie de Saint-Gobain has stock option plans available to certain employees, and an employee stock purchase plan referred to as the Group Savings Plan ("PEG").

Stock options are exercisable for Saint-Gobain shares at a price based on the average share price for the 20 trading days preceding the grant date. Since 1999, no stock options have been granted at a discount to the average price. Some plans are performance stock option plans.

Since the November 2007 plan, all stock options are subject to a four-year vesting period. Under earlier plans, the vesting period was three years for non-residents and four years for residents. Options must be exercised within ten years of the date of grant. All rights to options are forfeited if the holder leaves the Group, unless expressly agreed otherwise by both the Chief Executive Officer of Compagnie de Saint-Gobain and the Appointments Committee of the Board of Directors.

All options granted between 1999 and 2002 were exercisable for existing shares, while those granted between 2003 and 2007 were exercisable for new shares. For the November 20, 2008 and November 19, 2009 plans, the origin of the shares will be determined at the latest at the end of the four-year vesting period. If an option holder were to die or any of the events provided for in the General Tax Code were to occur during the four-year vesting period, only options exercisable for new shares would vest.

Movements relating to stock options outstanding in 2008 and 2009 are summarized below:

	EUR 4 par value shares	Average exercise price (in EUR)
Options outstanding at December 31, 2007	**21,992,083**	**48.56**
Options granted	3,551,900	28.62
Options exercised	(198,376)	33.33
Options forfeited	(50,000)	71.56
Options outstanding at December 31, 2008	**25,295,607**	**45.84**
Adjustment for effects of March 23 rights issue [1]	2,674,999	
Options granted	1,479,460	36.34
Options exercised	(252,826)	32.50
Options forfeited	(533,898)	43.63
Options outstanding at December 31, 2009	**28,663,342**	**41.23**

(1) Following the March 23, 2009 capital increase for cash carried out by issuing and allocating stock warrants, the number of options per grantee was adjusted in accordance with the applicable regulations in order to preserve the grantees' rights.

At December 31, 2009, 28,663,342 options were issued at an average exercise price of €41.23. At that date, 11,817,661 options were available for grant under the authorization given by the Shareholders' Meeting of June 4, 2009. This figure represents an overall ceiling for stock options and performance share grants.

Stock option expense recorded in the income statement amounted to €31.8 million in 2009 (2008: €41 million). The fair value of options granted in 2009 amounted to €15.4 million. Fair value was calculated using a Black & Scholes-type option pricing model and the same assumptions as those used to measure the expense in accordance with IFRS 2.

The table below summarizes information about stock options outstanding at December 31, 2009, after taking into account the adjustments made to the exercise price and the number of options following the March 23, 2009 rights issue.

Grant date	Options exercisable			Options not exercisable		Total options outstanding	Type of options
	Exercise price (in EUR)	Number of options	Weighted average contractual life (in months)	Exercise price (in EUR)	Number of options	Number of options	
2000	34.11	944,230	11			944,230	Purchase
2001	36.37	1,888,626	23			1,888,626	Purchase
2002	21.28	1,252,834	35			1,252,834	Purchase
2003	32.26	2,920,903	47			2,920,903	Subscription
2004	39.39	4,014,816	59			4,014,816	Subscription
2005	41.34	4,066,120	71			4,066,120	Subscription
2006	52.52	1,866,395	83	52.52	2,440,059	4,306,454	Subscription
2007	64.72		95	64.72	3,917,673	3,917,673	Subscription
2008	25.88		107	25.88	3,872,226	3,872,226	Subscription or Purchase
2009	36.34		119	36.34	1,479,460	1,479,460	Subscription or Purchase
Total		16,953,924			11,709,418	28,663,342	

At December 31, 2009, 16,953,924 stock options were exercisable (at an average price of €38.11) and 11,709,418 options (average exercise price €45.75) had not yet vested.

NOTE 12 Group savings plan ("PEG")

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

In 2009, the Group issued 8,498,377 shares with a par value of €4 (2008: 8,272,947 shares) to members of the PEG, for a total of €134 million (2008: €353 million).

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

Standard plans

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

The standard plan cost recorded in the income statement amounted to €7.0 million in 2009 (2008: €8.4 million), net of the lock-up cost for employees of €31.2 million (2008: €29.8 million).

The following table shows the main features of the standard plans, the amounts invested in the plans and the valuation assumptions applied in 2009 and 2008.

		2009	2008
Plan characteristics			
	Grant date	March 23	February 22
	Plan duration (in years)	5 or 10	5 or 10
	Benchmark price (in EUR)	19.74	51.75
	Purchase price (in EUR)	15.80	41.41
	Discount (in %)	20.00%	20.00%
(a)	Total discount on the grant date (in %)	28.11%	22.05%
	Employee investments (EUR millions)	134.3	168.7
	Total number of shares purchased	8,498,377	4,073,045
Valuation assumptions			
	Interest rate paid by employees [1]	7.09%	7.57%
	5-year risk-free interest rate	2.73%	3.61%
	Repo rate	1.35%	0.25%
(b)	Lock-up discount (in %)	22.92%	17.17%
(c)	Total cost to the Group (in %) **(a-b)**	5.19%	4.88%

(1) A 0.5-point decline in borrowing costs for the employee would have an impact of €2.2 million on 2009 cost as calculated in accordance with IFRS 2.

Leveraged plan

Under the 2008 leveraged plan, eligible employees were offered the opportunity to invest in Saint-Gobain stock at a 15% discount. The yield profile of the leveraged plan is different from that of the standard plans, as a third-party bank tops up the employee's initial investment, essentially multiplying by ten the amount paid by the employee. The bank's intervention secures the initial funding, secures the yield for the employee and increases the indexation on a leveraged number of directly subscribed shares.

The plan costs are calculated under IFRS 2 in the same way as for non-leveraged plans (see Note 1), but also take into account the advantage accruing to employees who have access to share prices with a volatility profile adapted to institutional investors (corresponding to the opportunity gain in the table below).

The leveraged plan cost recorded in the income statement amounted to €8.5 million in 2008, net of the lock-up cost for employees and the opportunity gain of €29.9 million. No leveraged plan was set up in 2009.

The following table shows the main features of the leveraged plan, the amounts invested in the plan and the valuation assumptions applied in 2008.

		2008
Plan characteristics		
	Grant date	February 22
	Plan duration (in years)	5
	Benchmark price (in EUR)	51.75
	Purchase price (in EUR)	43.99
	Discount (in %)	15.00%
(a)	Total discount on the grant date (in %)	17.18%
	Employee investments (EUR millions)	18.5
	Total investment in the plan (EUR millions)	184.8
	Total number of shares purchased	4,199,902
Valuation assumptions		
	Interest rate paid by employees [1]	7.57%
	5-year risk-free interest rate	3.61%
	Repo rate	0.25%
	Retail/institutional volatility spread [2]	5.50%
(b)	Lock-up discount (in %) [3]	15.00%
(c)	Opportunity gain (in %)	1.62%
(d)	Total cost to the Group (in %) **(a-b+c)**	3.80%

(1) A 0.5-point decline in borrowing costs for the employee would have had no impact on the 2008 cost as calculated in accordance with IFRS 2 because the lock-up cost would still exceed the discount.

(2) A 0.5-point increase in the retail/institutional rate spread would have had an impact of €0.5 million on the 2008 cost as calculated in accordance with IFRS 2.

(3) The interest rate used to calculate the lock-up cost is capped at the discount percentage.

NOTE 13 Performance share plan

At its meeting on November 19, 2009, the Board of Directors decided to set up the Company's first performance share plan. Under the plan terms, eligible employees and officers of the Saint-Gobain Group in France and abroad were each awarded seven performance shares. The eligibility criterion was based on the grantee's period of service with the Group. The performance shares will vest if the average of the rates of growth in the Group's consolidated operating income (excluding the Packaging Sector) for the years 2010 and 2011 exceeds a certain level. If this performance criterion is not met, no performance shares will be delivered at the end of the vesting period. In all, an estimated 1,052,716 performance shares may vest, as follows:

- For eligible Group employees in France, Spain and Italy, the vesting period will end on March 29, 2012 and the shares will be delivered on March 30, 2012. The vesting period will be followed by a two-year lock-up, such that the shares may not be sold until March 31, 2014 except in the case of the grantee's death or disability.
- For eligible Group employees in all other countries, the vesting period will end on March 30, 2014 and the shares will be delivered on March 31, 2014. No lock-up period will apply.

The Board also decided to set up a combined stock option/ performance share plan for certain eligible managers and senior executives in France and abroad. For the performance share plan, the eligibility criterion is based on the grantee's period of service with the Group. The performance shares will vest if the Group's return on capital employed (ROCE) for 2010 and 2011 exceeds a certain level. If the ROCE target is met in only one of the two years, only half of the performance shares will vest. The total number of performance shares will vest only if the ROCE target is met in both years. In all, 622,790 performance shares have been awarded. Except for the performance targets, the plan terms and conditions are the same as for the worldwide performance share plan for all eligible employees.

For both of the plans decided on November 19, 2009, the fair value of the performance shares corresponds to the Saint-Gobain share price on the grant date less (i) the value of dividends not payable on the shares during the vesting period, and (ii) as for the PEG, less the lock-up discount on restricted stock (i.e. stock subject to a four-year lock-up), which has been estimated at around 30%. The compensation cost is recognized over the vesting period of the performance shares, ranging from two to four years.

The cost recorded in the income statement for the two plans amounted to €1.4 million in 2009.

NOTE 14 Provisions for pensions and other employee benefits

(in EUR millions)	December 31, 2009	December 31, 2008
Pensions	2,190	1,681
Length-of-service awards	224	207
Post-employment healthcare benefits	369	367
Total provisions for pensions and other post-employment benefit obligations	**2,783**	**2,255**
Healthcare benefits	45	50
Long-term disability benefits	35	38
Other long-term benefits	95	100
Provisions for pensions and other employee benefits	**2,958**	**2,443**

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

(in EUR millions)	December 31, 2009	December 31, 2008
Projected benefit obligations	2,783	2,255
Plan assets	96	206
Net projected benefit obligations	**2,687**	**2,049**

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

(in EUR millions)	Pension obligations	Fair value of plan assets	Other	Provisions for pensions and other post-employment benefits
At December 31, 2007	**7,699**	**(6,405)**	**191**	**1,485**
Movements during the year				
Service cost	167			167
Interest cost/return on plan assets	420	(431)		(11)
Employer contributions		(172)		(172)
Employee contributions		(22)		(22)
Actuarial gains and losses and asset ceiling	(583)	1,147	83	647
Translation adjustment	(560)	629	(27)	42
Benefit payments	(440)	341		(99)
Past service cost				0
Changes in group structure	137	(92)		45
Curtailments/settlements	(3)			(3)
Other	(34)	29	(25)	(30)
Total movements	**(896)**	**1,429**	**31**	**564**
At December 31, 2008	**6,803**	**(4,976)**	**222**	**2,049**
Movements during the year				
Service cost	148			148
Interest cost/return on plan assets	415	(323)		92
Employer contributions		(172)		(172)
Employee contributions		(20)		(20)
Actuarial gains and losses and asset ceiling	953	(98)	(131)	724
Translation adjustment	114	(146)	9	(23)
Benefit payments	(419)	340		(79)
Past service cost	2			2
Changes in group structure	4			4
Curtailments/settlements	(21)	11		(10)
Other			(28)	(28)
Total movements	**1,196**	**(408)**	**(150)**	**638**
At December 31, 2009	**7,999**	**(5,384)**	**72**	**2,687**

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

December 31, 2009

(in EUR millions)	France	Other Western European countries	North America	Rest of the World	Net total
Projected benefit obligation - funded plans	369	4,602	2,103	90	7,164
Projected benefit obligation - unfunded plans	197	249	359	30	835
Fair value of plan assets	165	3,772	1,375	72	5,384
Deficit	401	1,079	1,087	48	2,615
Unrecognized past service cost					0
Asset ceiling					15
Insured plans					57
Pension and other post-employment benefit obligations					**2,687**
Plan surpluses classified as assets held for sale					0
Provisions for pensions and other post-employment benefit obligations classified as liabilities held for sale					0
Net pension and other post-employment benefit obligations					**2,687**

December 31, 2008

(in EUR millions)	France	Other Western European countries	North America	Rest of the World	Net total
Projected benefit obligation - funded plans	319	3,610	1,995	86	6,010
Projected benefit obligation - unfunded plans	177	225	361	30	793
Fair value of plan assets	136	3,437	1,332	71	4,976
Deficit	360	398	1,024	45	1,827
Unrecognized past service cost					0
Asset ceiling					137
Insured plans					85
Pension and other post-employment benefit obligations					**2,049**
Plan surpluses classified as assets held for sale					0
Provisions for pensions and other post-employment benefit obligations classified as liabilities held for sale					0
Net pension and other post-employment benefit obligations					**2,049**

Description of defined benefit plans

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

In France, in addition to length-of-service awards, there are three defined benefit plans all of which are final salary plans. These plans were closed to new entrants by the companies concerned between 1969 and 1997.

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

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

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

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

Provisions for other long-term employee benefits amounted to €175 million at December 31, 2009 (December 31, 2008: €188 million), and covered all other employee benefits, notably long-service awards in France, jubilees in Germany and employee benefits in the United States. The related projected benefit obligation is generally calculated on an actuarial basis using the same rules as for pension obligations.

Measurement of pension and other post-employment benefit obligations

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

The Group's total pension and other post-employment benefit obligations amounted to €7,999 million at December 31, 2009 (December 31, 2008: €6,803 million).

Plan assets

For defined benefit plans, plan assets have been progressively built up by contributions, primarily in the United States, the United Kingdom and Germany. Contributions paid by the Group totaled €172 million in 2009 (2008: €172 million). The actual return on plan assets was a positive €421 million for the year (2008: negative return of €716 million).

The fair value of plan assets – which came to €5,384 million at December 31, 2009 (December 31, 2008: €4,976 million) – is deducted from the Group's projected benefit obligation, as estimated using the projected unit credit method, in order to calculate the unfunded obligation to be covered by a provision.

Plan assets are mainly composed of equities (40%) and bonds (47%), with the remaining 13% invested in other asset classes.

Actuarial assumptions used to measure projected benefit obligations and plan assets

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

The assumptions used in 2009 for the main plans were as follows:

	France	Other European countries		United States
(in %)		Euro zone	United Kingdom	
Discount rate	5.00%	5.00%	5.75%	6.00%
Salary increases	2.40%	2.75% to 3.25%	3.85%	3.00%
Expected return on plan assets	5.00%	3.50% to 5.25%	6.00%	8.75%
Inflation rate	1.90%	1.90% to 2.75%	3.35%	2.20%

The assumptions used in 2008 for the Group's main plans were as follows:

	France	Other European countries		United States
(in %)		Euro zone	United Kingdom	
Discount rate	6.25%	6.25%	6.35%	6.25%
Salary increases	2.40%	2.75% to 3.25%	3.25% to 3.50%	3.00%
Expected return on plan assets	5.00%	3.50% to 5.25%	6.25%	8.75%
Inflation rate	2.00%	1.90% to 2.75%	2.75%	2.00%

Discount rates were set by region or country based on observed bond rates at December 31, 2009.

A 0.5-point decrease in the discount rate would lead to an increase in projected benefit obligations of around €158 million for the North American plans, €137 million for the euro-zone plans and €252 million for the UK plans. A 0.5-point increase in the inflation rate would lead to an overall increase in projected benefit obligations of €386 million.

The same assumptions concerning mortality, employee turnover and interest rates are used to determine the Group's projected benefit obligations for other long-term employee benefits. In the United States, retirees' healthcare costs are projected to rise by 9% per year. A 1-point increase in this rate would lead to an increase in the related projected benefit obligation of around €41 million.

Expected rates of return on plan assets are estimated by country and by plan, taking into account the different classes of assets held by the plan and the outlook in the various financial markets. After an unfavorable year in 2008, when the return on plan assets was a negative €716 million, last year's recovery in the financial markets led to a €421 million increase in plan assets compared with the €323 million expected based on forecast yields. A 0.5-point increase or decrease in the expected return on plan assets would have an impact of approximately €27 million on income.

Actuarial gains and losses

In 2006, the Group elected to apply the option available under IAS 19 and to record in equity actuarial gains and losses and the change in the asset ceiling. In 2009, €724 million was recognized in equity (increase in provisions). This amount corresponds to €855 million in actuarial differences less €131 million due to a lowering of the asset ceiling. In 2008, €647 million was recognized in equity (increase in provisions). Experience adjustments (corresponding to the effects of differences between previous actuarial assumptions and what has actually occurred) led to a €37 million (0.5% of DBO) decrease in the projected benefit obligation and a €98 million increase in plan assets.

Plan surpluses and the asset ceiling

When plan assets exceed the projected benefit obligation, the excess is recognized in other non-current assets under "Plan surplus" (see Note 7) provided that it corresponds to future economic benefits. The change in the asset ceiling is recognized in equity.

Contributions to insured plans

This item corresponds to amounts payable in the future to insurance companies under the externally funded pension plans for Group employees in Spain and totaled €57 million at December 31, 2009 (December 31, 2008: €85 million).

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

No plan surpluses or provisions for pensions and other post-employment benefits were classified as assets and liabilities held for sale (IFRS 5) at December 31, 2009 or 2008.

Employee benefits expense

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

(in EUR millions)	2009	2008
Service costs	148	167
Interest cost	415	420
Return on plan assets	(323)	(431)
Curtailments and settlements	(8)	(3)
Pensions, length-of-service awards and other post-employment benefits	**232**	**153**
Employee contributions	(20)	(22)
Total	**212**	**131**

Additional information about pension costs

Pension contributions for 2009 represented an estimated €799 million (2008: €874 million), including €376 million for government-sponsored basic pension schemes (2008: €419 million), €130 million for government-sponsored supplementary pension schemes, mainly in France (2008: €127 million), and €293 million for corporate-sponsored supplementary pension plans (2008: €328 million), of which €230 million for defined benefit plans (2008: €267 million) and €63 million for defined contribution plans (2008: €61 million).

NOTE 15 Current and deferred taxes

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

(in EUR millions)	2009	2008
Net income	241	1,437
Less:		
Share in net income of associates	2	11
Income taxes	(196)	(638)
Pre-tax income of consolidated companies	**435**	**2,064**

Income tax expense breaks down as follows:

(in EUR millions)	2009	2008
Current taxes	**(438)**	**(639)**
France	(57)	(150)
Outside France	(381)	(489)
Deferred taxes	**242**	**1**
France	80	(16)
Outside France	162	17
Total income tax expense	**(196)**	**(638)**

The effective tax rate breaks down as follows:

(in %)	2009	2008
Tax rate in France	34.4	34.4
Impact of tax rates outside France	(5.2)	(4.7)
Non-deductible provision for competition litigation	0.0	4.2
Capital gains and losses and asset impairments	25.5	1.8
Provisions for deferred tax assets	0.2	(0.1)
Effect of changes in future tax rates	(0.9)	(0.1)
Research tax credit	(5.6)	(0.7)
Other deferred and miscellaneous taxes	(3.3)	(3.9)
Effective tax rate	**45.1**	**30.9**

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

(in EUR millions)	Net deferred tax liabilities
At December 31, 2007	**949**
Deferred tax expense/(benefit)	(1)
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (Note 14)	(228)
Translation adjustments	(111)
Impact of changes in group structure and other	14
At December 31, 2008	**623**
Deferred tax expense/(benefit)	(242)
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (Note 14))	(217)
Translation adjustments	41
Impact of changes in group structure and other	40
At December 31, 2009	**245**

The table below shows the principal components of deferred taxes:

(in EUR millions)	Dec. 31, 2009	Dec. 31, 2008
Deferred tax assets	676	507
Deferred tax liabilities	(921)	(1,130)
Net deferred tax liability	**(245)**	**(623)**
Pensions	772	561
Brands	(805)	(781)
Depreciation & amortization, accelerated capital allowances and tax-driven provisions	(1,051)	(992)
Tax loss carryforwards	360	140
Other	479	449
TOTAL	**(245)**	**(623)**

Since January 1, 2007, deferred taxes are offset at the level of each tax entity, i.e., by tax group, where applicable (mainly in France, the United Kingdom, Spain, Germany and the United States).

Deferred tax assets of €676 million were recognized in 2009 (2008: €507 million), including €452 million in the United States (2008: €372 million). Deferred tax liabilities recognized in 2009 amounted to €921 million (2008: €1,130 million), including €357 million in France (2008: €457 million) and €182 million in the United Kingdom (2008: €271 million). Deferred tax liabilities recognized in other countries represented considerably smaller amounts.

Deferred tax assets whose recovery is not considered probable totaled €153 million at December 31, 2009 (December 31, 2008: €175 million).

The local business tax *(taxe professionnelle)* in France will be replaced in 2010 by a new tax *(contribution economique territoriale – CET)* that will be assessed in part on the value created by the business (*cotisation sur la valeur ajoutee des entreprises* – CVAE). The Group has not yet determined the accounting treatment of the CVAE in its 2010 accounts. If the CVAE is determined to constitute an income tax, the related tax base will give rise to a deferred tax liability currently estimated at around €20 million.

NOTE 16 Other current and non-current liabilities and provisions

(in EUR millions)	Provisions for claims and litigation	Provisions for environmental risks	Provisions for restructuring costs	Provisions for personnel costs	Provisions for customer warranties	Provisions for other contingencies	Investment related liabilities	Total
At December 31, 2007								
Current portion	224	31	84	31	80	78	19	547
Non-current portion	804	115	76	41	92	284	71	1,483
Total	**1,028**	**146**	**160**	**72**	**172**	**362**	**90**	**2,030**
Movements during the year								
Additions	528	12	75	28	59	157		859
Reversals	(1)	(7)	(17)	(7)	(24)	(132)		(188)
Utilizations	(198)	(11)	(73)	(15)	(49)	(32)		(378)
Changes in group structure		8	3		13	17	(2)	39
Other (reclassifications and translation adjustments)	(21)	10	(7)	(2)	57	(20)	31	48
Total movements	**308**	**12**	**(19)**	**4**	**56**	**(10)**	**29**	**380**
At December 31, 2008								
Current portion	95	24	80	32	81	120	28	460
Non-current portion	1,241	134	61	44	147	232	91	1,950
Total	**1,336**	**158**	**141**	**76**	**228**	**352**	**119**	**2,410**
Movements during the year								
Additions	125	14	215	33	64	118		569
Reversals	(1)	(7)	(9)	(15)	(15)	(57)		(104)
Utilizations	(88)	(10)	(102)	(18)	(33)	(25)		(276)
Changes in group structure	1	8	1	1		7	42	60
Other (reclassifications and translation adjustments)	(8)	4	(6)	5	(3)	61	(25)	28
Total movements	**29**	**9**	**99**	**6**	**13**	**104**	**17**	**277**
At December 31, 2009								
Current portion	92	34	133	38	88	128	5	518
Non-current portion	1,273	133	107	44	153	328	131	2,169
Total	**1,365**	**167**	**240**	**82**	**241**	**456**	**136**	**2,687**

Provisions for claims and litigation

In 2009, provisions for claims and litigation covered potential costs arising from investigations by the competition authorities involving the Flat Glass business and from asbestos-related litigation. These provisions are described in further detail in Note 27.

In view of developments in the competition authorities' investigation and the appeal lodged by the Group, as well as the estimated duration of the appeal procedure and the period covered by the financial guarantee, the provision at December 31, 2009 is classified in "Other non-current liabilities".

Provisions for environmental risks

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

Provisions for restructuring costs

Provisions for restructuring costs came to €240 million at December 31, 2009 (December 31, 2008: €141 million), including net additions of €206 million during the year. The provisions primarily concern Germany (€41 million), France (€39 million), the United Kingdom (€30 million), Benelux (€48 million), Italy (€23 million), Spain (€14 million) and the United States (€12 million).

Provisions for personnel costs

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

Provisions for customer warranties

These provisions cover the Group's commitments under the warranties granted to customers in the United States and other markets.

Provisions for other contingencies

At December 31, 2009, provisions for other contingencies amounted to €456 million and mainly concerned France (€115 million), the United States (€84 million), Germany (€80 million), the United Kingdom (€46 million), Latin America (€38 million), Italy (€23 million) and Spain (€41 million).

Investment-related liabilities

In 2009 and 2008, changes in investment-related liabilities primarily concerned put options granted to minority shareholders, additional purchase consideration and deferred payments on acquisitions.

NOTE 17 Trade and other accounts payable and accrued expenses

(in EUR millions)	Dec. 31, 2009	Dec. 31, 2008
Trade accounts payable	**5,338**	**5,613**
Customer deposits	641	641
Payable to suppliers of non-current assets	293	400
Grants received	69	63
Accrued personnel expenses	1,065	1,022
Accrued taxes other than on income	416	421
Other	602	843
- France	102	221
- Germany	49	65
- United Kingdom	91	90
- Other Western European countries	145	193
- North America	42	76
- Emerging countries and Asia	173	198
Total other payables and accrued expenses	**3,086**	**3,390**

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

NOTE 18 Risk factors

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

Liquidity risk on financing

Although funds were successfully raised on the European bond market in 2009, in a crisis environment the Group could be unable to raise the financing or refinancing needed to cover its investment plans on the credit market or the capital market, or to obtain such financing or refinancing on acceptable terms.

There is also no guarantee that the Company's credit rating will remain at the current level.

The Group's overall exposure to liquidity risk on net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain. Except in special cases, all of the Group companies' long-term financing needs and the majority of their short-term financing needs are met by Compagnie de Saint-Gobain or by the national delegations' cash pools.

The main objective of liquidity risk management processes is to guarantee that the Group's financing sources will be rolled over and to optimize annual borrowing costs. Long-term debt therefore systematically represents a high percentage of overall debt. At the same time, the maturity schedules of long-term debt are set in such a way that replacement capital markets issues are spread over time.

Medium-term notes are the main source of long-term financing used by the Group, along with bonds. However it also uses perpetual bonds, participating securities, bank borrowings and lease financing.

Short-term debt is composed mainly of borrowings under French Commercial Paper (*"Billets de Trésorerie"*) programs and, from time-to-time, Euro Commercial Paper and US Commercial Paper programs, but also includes receivables securitization programs and bank overdrafts. Short-term financial assets comprise marketable securities and cash equivalents.

The US Commercial Paper, Euro Commercial Paper and *Billets de Trésorerie* programs are backed by confirmed syndicated lines of credit.

A breakdown of long- and short-term debt is provided by type and maturity in Note 19. Details of amounts, currencies, and acceleration clauses of the Group's financing programs and confirmed credit lines are also discussed in Note 19.

Saint-Gobain's long-term debt issues have been rated BBB with a stable outlook by Standard & Poor's since July 24, 2009 and Baa2 with a stable outlook by Moody's since July 31, 2009.

Liquidity risk on investments

Short-term investments consist of bank deposits and mutual fund units. To reduce liquidity or volatility risk, whenever possible, the Group invests in money market and/or bond funds.

Interest rate risks

The Group's overall exposure to interest rate risk on net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain using the same financing structures and methods as for liquidity risk. Where subsidiaries use derivatives to hedge interest rate risks, their counterparty is Compagnie de Saint-Gobain, the Group's parent company.

The Group's overall exposure to interest rate risk on consolidated debt is managed primarily with the objective of fixing the cost of medium-term debt and optimize annual borrowing costs. According to Group policy, the derivative financial instruments used to hedge these risks comprise interest rate swaps, options – including caps, floors and swaptions – and forward rate agreements.

Based on a sensitivity analysis of the Group's total net debt after hedging, a 50-basis point increase in interest rates at the balance sheet date would lead to a €13 million increase in equity and a €6 million increase in income.

Foreign exchange risk

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

Foreign exchange risks are managed by hedging commercial transactions carried out by Group entities in currencies other than their functional currencies. Compagnie de Saint-Gobain and its subsidiaries use options and forward contracts to hedge exposures arising from current and future commercial transactions. The subsidiaries set up options exclusively through the Group's 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.

Wherever possible, foreign exchange risks are hedged with Compagnie de Saint-Gobain upon receipt of the orders sent by the subsidiaries, or with the local delegations' cash pools. In other cases, hedges are contracted with the subsidiaries' banks.

The Group monitors its exposure to foreign exchange risk using a monthly reporting system which captures the foreign exchange positions taken by subsidiaries. At December 31, 2009, 97% of the Group's foreign exchange position was hedged.

The net foreign exchange exposure of subsidiaries whose functional currency is not one of those presented below was as follows at December 31, 2009:

(in millions of euro equivalents)	Long	Short
EUR	2	6
USD	10	10
Other currencies	1	2
Total	**13**	**18**

Based on a sensitivity analysis at December 31, 2009, a 10% increase in the exchange rates of the main currencies used by subsidiaries would have the following negative impact on net income:

(in EUR millions)	Net gain or loss
EUR	(0.4)
USD	0.0

A 10% fall in exchange rates would have had a positive impact in the same amounts, assuming that all other variables were unchanged.

Energy and raw materials risk

The Group is exposed to the risk of changes in the price of raw materials used in its products and in energy prices. These prices have been particularly volatile in recent months and may remain so in the current financial and economic environment. The energy hedging programs may be inadequate to protect the Group against significant or unforeseen price swings that could result from the current financial and economic environment.

The Group limits its exposure to energy price fluctuations by using swaps and options to hedge part of its natural gas purchase in the United States, Mexico and certain European countries, its fuel oil purchases in Europe and its electricity purchases in the United Kingdom. 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, the Group Purchasing Department (Saint-Gobain Achats - SGA) and the relevant Delegations.

Hedges of gas, fuel oil and electricity purchases (excluding fixed-price purchases negotiated directly with suppliers by the Purchasing Department) are arranged by the Group Treasury and Financing Department in accordance with instructions received from SGA.

The steering committee does not manage hedges of energy purchases or purchases in geographical areas not mentioned above because:

- The volumes involved are not material, 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.

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

There can be no guarantee that raw materials that are not hedged as explained above will not be subject to sudden, considerable or unforeseen fluctuations.

Credit risk

The Group may be exposed to the risk of losses on cash and other financial instruments held or managed on its behalf by financial institutions, if any of its counterparties defaults on its obligations. Group policy is to limit its exposure by dealing solely with leading counterparties and monitoring their credit ratings, in line with guidelines approved by the Board of Directors. There is no guarantee that this policy will be effective in entirely eliminating counterparty risk. Any default by a counterparty could have a material adverse effect on the Group's objectives, operating income and financial position.

To limit the Group's exposure to credit risk, the Treasury and Financing Department only deals with counterparties with a long-term rating of A- or above from Standard & Poor's or A3 or above from Moody's, with a stable outlook in both cases. Concentrations of credit risks are closely monitored to ensure that they remain at reasonable levels.

However, recent events have shown that credit risks arising from transactions with financial counterparties can escalate rapidly and that a high credit rating is no guarantee that an institution will not experience a rapid deterioration of its financial position.

Note 20 provides details of the Group's interest rate and energy hedges, and the interest rates for the main items of debt. It also provides a breakdown of debt by currency and interest rate (fixed or variable), as well as the interest rate repricing schedule.

NOTE 19 Net debt

Long- and short-term debt

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

(in EUR millions)	2009	2008
Bond issues and Medium-Term Notes	8,151	7,604
Perpetual bonds and participating securities	203	203
Acquisition-related bank borrowings	0	2,034
Other long-term debt including finance leases	270	320
Debt recognized at fair value under the fair value option	157	157
Fair value of interest rate hedges	58	47
Total long-term debt (excluding current portion)	**8,839**	**10,365**
Current portion of long-term debt	**1,880**	**1,364**
Short-term financing programs (US CP, Euro CP, *Billets de Tresorerie*)	0	690
Bank overdrafts an other short-term bank borrowings	673	798
Securitizations	321	462
Fair value of derivatives relating to borrowings not qualified as hedges	(2)	(63)
Short-term debt and bank overdrafts	**992**	**1,887**
TOTAL GROSS DEBT	**11,711**	**13,616**
Cash and cash equivalents	(3,157)	(1,937)
TOTAL NET DEBT, INCLUDING ACCRUED INTEREST	**8,554**	**11,679**

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounted to €10.4 billion at December 31, 2009, for a carrying amount of €10 billion. The fair value of bonds corresponds to the market price on the last day of the year. For other borrowings, fair value is considered as being equal to the amount repayable.

Long-term debt repayment schedule

Long-term debt at December 31, 2009 can be analyzed as follows by maturity:

(in EUR millions)	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues and Medium-Term Notes	EUR	1,403	5,335	2,142	8,880
	GBP	0	0	674	674
	Other	38	0	0	38
Perpetual bonds and participating securities	EUR	0	0	203	203
Acquisition-related bank borrowing	EUR	0	0	0	0
Other long-term debt including finance leases	All currencies	169	204	66	439
Debt recognized at fair value under the fair value option	EUR	0	157	0	157
Fair value of interest rate hedges	EUR	0	58	0	58
TOTAL, EXCLUDING ACCRUED INTEREST		**1,610**	**5,754**	**3,085**	**10,449**

At December 31, 2009, future interest payments on gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain were due as follows:

(in EUR millions)	Within 1 year	1 to 5 years	Beyond 5 years	Total
Future interest payments on gross long-term debt	476	1,302	540	2,318
TOTAL, EXCLUDING ACCRUED INTEREST	**476**	**1,302**	**540**	**2,318**

Interest on perpetual bonds and participating securities is calculated through to 2024.

Bond issues

In 2009, Compagnie de Saint-Gobain carried out the following bond issues:

- On January 26: €1 billion issue due July 28, 2014,
- On May 20: €750 million issue due May 20, 2013
- On June 29: €200 million issue (private placement notes) due June 29, 2017

During 2009, Saint-Gobain Nederland redeemed a €1 billion bond issue due July 9.

Perpetual bonds

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

At December 31, 2009, 18,496 perpetual bonds had been bought back and canceled, and 6,504 perpetual bonds were outstanding, representing a total face value of €33 million.

Participating securities

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

Some of these securities have been bought back on the market. At December 31, 2009, there were 606,883 TMO-indexed securities and 77,516 Euribor-indexed securities outstanding, representing an aggregate face value of €170 million.

Interest on the 606,883 TMO-indexed securities consists of a fixed portion and a variable portion based on the Group's earnings, subject to a cap of 1.25 times the TMO. Interest on the 77,516 Euribor-indexed securities 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.

Financing programs

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

At December 31, 2009, issuance under these programs was as follows:

Programs *(in millions of currency units)*	Currency	Maturities	Authorized program At Dec. 31, 2009	Outstanding issues At Dec. 31, 2009	Outstanding issues At Dec. 31, 2008
Medium Term Notes	EUR	1 to 30 years	10,000	6,120	3,917
US commercial paper	USD	Up to 12 months	1,000 *	0	0
Euro commercial paper	USD	Up to 12 months	1,000 *	0	0
Billets de trésorerie	EUR	Up to 12 months	3,000	0	690

** Equivalent to €694.2 million based on the exchange rate at December 31, 2009.*

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

Syndicated and bilateral lines of credit

Compagnie de Saint-Gobain's US Commercial Paper, Euro Commercial Paper and *"Billets de Trésorerie"* programs are backed by a €2 billion confirmed syndicated line of credit expiring in November 2011 that is not subject to any covenants based on financial ratios.

On June 15, 2009, Compagnie de Saint-Gobain obtained a €2.5 billion syndicated line of credit expiring in June 2012. This facility represents a secure source of financing for the Group and will also provide additional backing for its short-term financing programs.

This facility agreement includes a covenant stipulating that the Group's net debt/operating income excluding depreciation and amortization of property, plant and equipment and intangible assets ratio, as measured annually at December 31, must at all times represent less than 3.75. This ratio was complied with at December 31, 2009.

Neither of these confirmed lines of credit was drawn down at December 31, 2009.

The other confirmed lines of credit held by the Group at December 31, 2008 were canceled during 2009, as follows:

- Outstanding balance on the €9 billion syndicated loan obtained in 2005 to finance the BPB acquisition.
- Outstanding balance on the €2,125 million syndicated credit facility obtained in October 2007 primarily to finance the Maxit acquisition.
- Seven bilateral lines of credit for a total of €680 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.

Receivables securitization programs

The Group has set up two securitization programs through its US subsidiary, Saint-Gobain Receivables Corporation, and its UK subsidiary, Jewson Ltd. Neither of the programs transfer the credit risk to the financial institution.

The US program amounted to €156 million at December 31, 2009 (December 31, 2008: €275 million).

The difference between the face value of the sold receivables and the sale proceeds is treated as a financial expense, and amounted to €5.4 million in 2009 (2008: €13 million).

The UK program amounted to €165 million at December 31, 2009 (December 31, 2008: €187 million), and the financial expense came to €2 million (2008: €9 million).

Collateral

At December 31, 2009, €36 million of Group debt was secured by various non-current assets (real estate and securities).

NOTE 20 Financial instruments

Derivatives

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

(in EUR millions)	Fair value at December 31, 2009 — Derivatives recorded in assets	Derivatives recorded in liabilities	Total	Fair value at Dec. 31, 2008	Nominal value broken down by maturity at December 31, 2009 — Within 1 year	1 to 5 years	Beyond 5 years	Total
Fair value hedges								
Interest rate swaps	4		4			500		500
Fair value hedges - total	**4**	**0**	**4**	**0**	**0**	**500**	**0**	**500**
Cash flow hedges								
Forward foreign exchange contracts	1	(1)	0	(23)	79	1		80
Currency swaps			0	(3)				0
Currency options			0	1	20			20
Interest rate swaps		(62)	(62)	(47)		1,250		1,250
Energy and commodity swaps	9	(17)	(8)	(84)	113	53		166
Cash flow hedges - total	**10**	**(80)**	**(70)**	**(156)**	**212**	**1,304**	**0**	**1,516**
Derivatives not qualifying for hedge accounting								
Interest rate swaps	2		2	2		155		155
Currency swaps	9	(9)	0	64	2,245	12		2,257
Forward foreign exchange contracts			0	2	58			58
Derivatives not qualifying for hedge accounting - total	**11**	**(9)**	**2**	**68**	**2,303**	**167**	**0**	**2,470**
TOTAL	**25**	**(89)**	**(64)**	**(88)**	**2,515**	**1,971**	**0**	**4,486**
o/w derivatives used to hedge net debt	15	(71)	(56)	16				

Interest rate swaps

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

Currency swaps

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

Forward foreign exchange contracts and currency options

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

Energy and commodity swaps

Energy and commodity swaps are used to hedge the risk of changes in the price of certain purchases used in the subsidiaries' operating activities, particularly heavy fuel oil purchases in Europe, natural gas purchases in the United States, Mexico and certain European countries and electricity purchases in the United Kingdom.

Impact on equity of financial instruments qualifying for hedge accounting

At December 31, 2009, the cash flow hedging reserve carried in equity in accordance with IFRS had a debit balance of €70 million, breaking down as follows:

- €62 million unrealized gain corresponding to the remeasurement at fair value of interest rate swaps designated as cash flow hedges of the April 2007 bond issue.
- €8 million unrealized gain corresponding to the remeasurement at fair value of other cash flows hedges to be reclassified to income when the hedged items affect income.

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

Impact on income of financial instruments not qualifying for hedge accounting

The fair value of derivatives classified as financial assets and liabilities at fair value through profit or loss amounted to €2 million at December 31, 2009 (December 31, 2008: €68 million).

Embedded derivatives

Saint-Gobain regularly analyzes its contracts in order to separately identify financial instruments classified as embedded derivatives under IFRS. At December 31, 2009, no embedded derivatives deemed to be material at Group level were identified.

Group debt structure

The weighted average interest rate on total debt under IFRS, after hedging (using currency swaps and interest rate swaps), was 5.2% at December 31, 2009 and 2008.

The average internal rates of return for the main components of long-term debt before hedging were as follows in 2009 and 2008:

Internal rate of return on long-term debt at December 31 (in %)

(in %)	2009	2,008
Bonds and Medium Term Notes	5.35%	4.96%
Perpetual bonds and participating securities	4.92%	5.92%
Acquisition-related bank borrowings	-	5.47%

The table below presents the breakdown by currency and by interest rate (fixed or variable) of the Group's gross debt at December 31, 2009, after giving effect to interest rate swaps and currency swaps.

Gross debt denominated in foreign currencies

(in EUR millions)	After hedging Variable rate	Fixed rate	Total
EUR	1,674	8,517	10,191
GBP	(33)	673	640
USD	85	0	85
SEK and NOK	335	4	339
Other currencies	(90)	164	74
TOTAL	**1,971**	**9,358**	**11,329**
	17%	83%	100%
Fair value of related derivatives			56
Accrued interest			326
TOTAL GROSS DEBT			**11,711**

Interest rate repricing schedule for debt

The table below shows the interest rate repricing schedule at December 31, 2009 for gross debt after hedging:

(in EUR millions)	Within 1 year	1 to 5 years	Beyond 5 years	Total
Gross debt	2,872	5,754	3,085	11,711
Impact of interest rate swaps	(750)	1,250	(500)	0
GROSS DEBT AFTER HEDGING	**2,122**	**7,004**	**2,585**	**11,711**

NOTE 21 Financial assets and liabilities

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

(in EUR millions)	Notes	Dec. 31, 2009	Dec. 31, 2008
Loans and receivables			
Trade and other accounts receivable	(9)	6,128	7,071
Loans and deposits	(7)	188	214
Available-for-sale financial assets			
Available for sale and other securities [a]	(7)	28	70
Financial assets at fair value through profit or loss			
Derivatives recorded in assets [b]	(20)	15	75
Cash and cash equivalents [c]	(19)	3,157	1,937
Financial liabilities at amortized cost			
Trade and other accounts payable	(17)	(8,424)	(9,003)
Long and short-term debt	(19)	(11,489)	(13,468)
Financial liabilities at fair value			
Long and short-term debt [d]	(19)	(166)	(164)
Derivatives recorded in liabilities [b]	(20)	(71)	(59)

(a) Available-for-sale financial assets are generally measured at historical cost except for securities traded in an active market which are measured at the year-end market price (level 1 in the fair value hierarchy under IFRS 7).

(b) Derivatives consist mainly of interest rate swaps and forward foreign exchange contracts. The fair value of these instruments is measured using the discounted cash flows method, corresponding to level 2 in the fair value hierarchy under IFRS 7.

(c) Marketable securities included in cash and cash equivalents consist of mutual fund units measured at their net asset value, corresponding to level 1 in the fair value hierarchy under IFRS 7.

(d) Long and short-term debt is measured at fair value using the discounted cash flows method, corresponding to level 2 in the fair value hierarchy under IFRS 7.

NOTE 22 Business income by expense type

(in EUR millions)	2009	2008
Net sales	**37,786**	**43,800**
Personnel costs		
Salaries and payroll taxes	(7,476)	(8,021)
Share-based payments [a]	(40)	(58)
Pensions	(139)	(173)
Depreciation and amortization	(1,514)	(1,511)
Other [b]	(26,401)	(30,388)
Operating income	**2,216**	**3,649**
Other business income [c]	36	53
Negative goodwill recognized in income	0	1
Other business income	**36**	**54**
Restructuring costs [d]	(435)	(190)
Provisions and expenses relating to claims and litigation [e]	(123)	(472)
Impairment of assets and other business expenses [f]	(416)	(181)
Other	(38)	(46)
Other business expense	**(1,012)**	**(889)**
Business income	**1,240**	**2,814**

(a) Details of share-based payments are provided in Notes 11, 12 and 13.

(b) This corresponds to the cost of goods sold by the Building Distribution Sector and transport costs, raw materials costs, and other production costs for the other Sectors. This item also includes foreign exchange gains and losses, representing a net loss of €18 million in 2009 (2008: net gain of €18 million). In 2009, research and development costs recorded under operating expenses amounted to €386 million (2008: €377 million).

(c) In 2009, other business income included capital gains on disposals of property, plant and equipment and intangible assets.

(d) Restructuring costs in 2009 mainly consisted of employee termination benefits in an amount of €327 million (2008: €127 million).

(e) In the periods presented, provisions and expenses relating to claims and litigation corresponded for the most part to asbestos-related litigation and the provision for the competition litigation discussed in Notes 16 and 27.

(f) Impairment losses on assets and other business expenses in 2009 included impairment losses of €210 million on goodwill (2008: €68 million) and €91 million on property, plant and equipment and intangible assets (2008: €103 million), and €68 million in losses on disposal or scrapping of property, plant and equipment and intangible assets. The balance corresponds to impairment losses on financial assets and current assets. In 2008, impairment losses also included a €161 million write-down of assets classified as held for sale (see Note 2).

NOTE 23 Net financial expense

Breakdown of other financial income and expense

(in EUR millions)	2009	2008
Interest cost - pension and other post-employment benefit obligations	(440)	(428)
Return on plan assets	338	431
Interest cost - pension and other post-employment benefit obligations - net	**(102)**	**3**
Other financial expense	(101)	(71)
Other financial income	18	25
Other financial income and expense	**(185)**	**(43)**

Recognition of financial instruments

Net financial expense amounted to €805 million in 2009 (2008: €750 million). Of this amount, €585.5 million (2008: €600.5 million) relates to instruments carried by Compagnie de Saint-Gobain and Saint-Gobain Nederland at amortized cost. Instruments measured at fair value by these two entities resulted in a positive impact of €20.5 million (2008: €6.3 million).

NOTE 24 Recurring net income – cash flow from operations – EBITDA

Recurring net income totaled €617 million in 2009 (2008: €1,914 million). Based on the weighted average number of shares outstanding at December 31 (473,244,410 shares in 2009, 374,998,085 shares in 2008), recurring earnings per share amounted to €1.30 in 2009 and €5.10 in 2008.

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

(in EUR millions)	2009	2008
Net income attributable to equity holders of the parent	**202**	**1,378**
Less:		
Gains on disposals of assets	(32)	53
Impairment of assets	(348)	(181)
Provision for competition litigation and other non-recurring provision charges	(71)	(451)
Impact of minority interests	1	6
Tax impact	35	37
Recurring net income attributable to equity holders of the parent	**617**	**1,914**

Cash flow from operations for 2009 amounted to €2,303 million (2008: €3,524 million). Excluding tax on capital gains and losses, cash flow from operations came to €2,268 million in 2009 (2008: €3,487 million). These amounts are calculated as follows:

(in EUR millions)	2009	2008
Net income attributable to equity holders of the parent	**202**	**1,378**
Minority interests in net income	39	59
Share in net income of associates, net of dividends received	2	(7)
Depreciation, amortization and impairment of assets	1,857	1,681
Gains and losses on disposals of assets	32	(53)
Non-recurring charges to provisions	71	451
Unrealized gains and losses arising from changes in fair value and share-based payments	100	15
Cash flow from operations	**2,303**	**3,524**
Tax on capital gains and losses and non-recurring charges to provisions	(35)	(37)
Cash flow from operations before tax on capital gains and losses and non-recurring charges to provisions	**2,268**	**3,487**

EBITDA amounted to €3,730 million in 2009 (2008: €5,160 million), calculated as follows:

(in EUR millions)	2009	2008
Operating income	2,216	3,649
Depreciation and amortization	1,514	1,511
EBITDA	**3,730**	**5,160**

NOTE 25 Earnings per share

The calculation of earnings per share is shown below.

(in EUR millions)	Adjusted net income attributable to equity holders of the parent	Number of shares	Earnings per share (in EUR)
2009			
Weighted average number of shares outstanding	202	473,244,410	0.43
Weighted average number of shares assuming full dilution	202	473,543,327	0.43
2008			
Weighted average number of shares outstanding	1,378	374,998,085	3.67
Weighted average number of shares assuming full dilution	1,378	376,825,178	3.66

The weighted average number of shares outstanding is calculated by deducting treasury stock (4,457,499 shares at December 31, 2009) from the average number of shares outstanding during the year.

The weighted average number of shares assuming full dilution is calculated based on the weighted average number of shares outstanding, assuming conversion of all dilutive instruments. The Group's dilutive instruments include stock options – corresponding to a weighted average of 298,917 shares in 2009 (2008: 1,827,093 shares).

NOTE 26 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 19 and 20, respectively.

The Group has no other material commitments.

Obligations under finance leases

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

At December 31, 2009, €54 million of future minimum lease payments due under finance leases concerned land and buildings. Total assets under finance leases recognized in consolidated assets amounted to €168 million at December 31, 2009 (December 31, 2008: €201 million).

(in EUR millions)	2009	2008
Future minimum lease payments		
Due within 1 year	46	48
Due in 1 to 5 years	85	106
Due beyond 5 years	19	28
Total	**150**	**182**
Less finance charge	(16)	(17)
Present value of future minimum lease payments	**134**	**165**

Obligations under operating leases

The Group leases equipment, vehicles and office, manufacturing and warehouse space under various non-cancelable operating leases. Lease terms generally range from 1 to 9 years. The leases contain rollover options for varying periods of time and some include clauses covering the payment of real estate taxes and insurance. In most cases, management expects that these leases will be rolled over or replaced by other leases in the normal course of business.

Net rental expense was €715.4 million in 2009, corresponding to rental expense of €730.9 million – of which €462.8 million for property leases – less €15.5 million in revenue from subleases.

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

(in EUR millions)	Total 2009	Payments due Within 1 year	Payments due 1 to 5 years	Payments due Beyond 5 years	Total 2008
Operating leases					
Rental expense	3,059	636	1,427	996	3,246
Subletting revenue	(66)	(13)	(22)	(31)	(91)
Total	**2,993**	**623**	**1,405**	**965**	**3,155**

Non-cancelable purchase commitments

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

(in EUR millions)	Total 2009	Payments due Within 1 year	Payments due 1 to 5 years	Payments due Beyond 5 years	Total 2008
Non-cancelable purchase commitments					
Non-current assets	97	90	6	1	131
Raw materials	525	195	264	66	684
Services	112	48	62	2	126
Other	172	82	85	5	220
Total	**906**	**415**	**417**	**74**	**1,161**

Guarantee commitments

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

The Group also receives guarantees, amounting to €102 million at December 31, 2009 (December 31, 2008: €120 million).

Commercial commitments

(in EUR millions)	Total 2009	Payments due Within 1 year	1 to 5 years	Beyond 5 years	Total 2008
Security for borrowings	54	29	7	18	35
Written put options	0				0
Other commitments given	119	58	17	44	132
Total	**173**	**87**	**24**	**62**	**167**

At December 31, 2009, pledged assets amounted to €215 million (December 31, 2008: €228 million) and mainly concerned fixed assets in India.

Guarantees given to the Group in respect of receivables amounted to €79 million at December 31, 2009 (December 31, 2008: €89 million).

NOTE 27 Litigation

Asbestos-related litigation in France

In France, further individual lawsuits were filed in 2009 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 704 such lawsuits have been issued against the two companies since 1997.

At December 31, 2009, 614 of these 704 lawsuits had been completed in terms of both liability and quantum. In all of these cases, the employers were held liable on the grounds of "inexcusable fault".

Everite and Saint-Gobain PAM were held liable to pay a total amount of less than €1,3 million in compensation in settlement of these lawsuits.

Concerning the 90 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2009, the merits of 22 have been decided but the compensation awards have not yet been made, pending issue of medical reports or Appeal Court rulings. In all these cases, the Social Security authorities were ordered to pay compensation for the victims for procedural reasons (non-opposability). A further 21 of these 90 lawsuits have been completed in terms of both liability and quantum but liability for the payment of compensation has not yet been assigned.

Of the 47 remaining lawsuits, at December 31, 2009 the procedures relating to the merits of 44 cases were at different stages, with 9 being investigated by the French Social Security authorities and 35 pending before the Social Security courts. The other 3 lawsuits are pending before the Court of Appeal for reasons not involving Everite and Saint-Gobain PAM.

In addition, as of December 31, 2009, 121 suits based on inexcusable fault had been filed by current or former employees of 12 other French companies in the Group (excluding Saint-Gobain Desjonquères and Saint-Gobain Vetrotex, which have been sold), in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.

At that date, 85 lawsuits had been completed. In 23 of these cases, the employer was held liable for inexcusable fault.

For the 36 suits outstanding at December 31, 2009, arguments were being prepared by the French Social Security authorities in 5 cases, 26 were being investigated – including 25 pending before the Social Security courts and 1 before the Court of Appeal – and 5 had been completed in terms of liability but not in terms of quantum, of which 3 pending before the Courts of Appeal and 2 before the Social Security courts.

Asbestos-related litigation in the United States

In the United States, several companies that once manufactured products containing asbestos such as asbestos-cement pipes, roofing products, specialized insulation or gaskets, are facing legal action from persons other than their employees or former employees. 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 2009

About 4,000 new claims were filed against CertainTeed in 2009, compared to about 5,000 in 2008, 6,000 in 2007, 7,000 in 2006 and 17,000 in 2005. This decline was felt over the last five years in most States, particularly in those which had seen the greatest numbers of claims in the previous years. This decline reflects, among other things, 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 of the pending claims were resolved in 2009, about the same number as were resolved in 2008 and in 2007, compared to 12,000 in 2006 and 20,000 in 2005. Taking into account the 68,000 outstanding claims at the end of 2008 and the new claims having arisen during the year, as well as claims settled, some 64,000 claims were outstanding at December 31, 2009. A large number of these pending claims were filed more than five years ago by individuals without any significant asbestos-related impairment, and it is likely that many of these claims ultimately will be dismissed.

Impact on the Group's accounts

The Group recorded a €75 million charge in 2009 to cover future developments in relation to claims involving CertainTeed. This amount is identical to the amount recorded in 2008, and slightly lower than the €90 million recorded in 2007, the €95 million recorded in 2006 and the €100 million recorded in 2005.
At December 31, 2009, the Group reserve for asbestos-related claims against CertainTeed in the United States amount to €347 million, (USD 500 million), compared with €361 million, (USD 502 million) at December 31, 2008, €321 million (USD 473 million) at December 31, 2007, €342 million (USD 451 million) at December 31, 2006 and €358 million (USD 422 million) at December 31, 2005.

Cash flow impact

Compensation paid in respect of these claims against CertainTeed, including claims settled prior to 2009 but only paid out in 2009, and those fully resolved and paid in 2009, and compensation paid (net of insurance) in 2009 by other Group businesses in connection with asbestos-related litigation, amounted to €55 million (USD 77 million), compared to €48 million (USD 71 million) in 2008, €53 million (USD 73 million) in 2007, €67 million (USD 84 million) in 2006 and €72 million (USD 89 million) in 2005. The increase of the total amount of the compensation paid in 2009 compared to the amount paid in 2008 is mainly due to the higher number of malignant claims among the resolved claims. This trend in the increase should continue in 2010.

In Brazil, former Group employees suffering from asbestos-related occupational illness are offered either exclusively financial compensation or lifetime medical assistance combined with financial compensation. Only a small number of asbestos-related lawsuits were outstanding at December 31, 2009, and they do not represent a material risk for the companies concerned.

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

In November 2007 and 2008, the European Commission issued its decisions concerning, respectively, the construction glass industry and the automotive glass industry.

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

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

The companies concerned believe the fine is excessive and disproportionate, and have appealed the decision before the Court of First Instance of the European Communities.

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

As a result of these developments, the €694 million provision set aside at December 31, 2007, which was reduced to €560 million at June 30, 2008 following payment of the €134 million fine, was increased to €960 million at December 31, 2008 to cover the €896 million fine, together with the cost of the bond and the estimated legal costs over the appeal period. At December 31, 2009, the provision was further increased to €991 million to cover the interest that had accrued since March 9, 2009.

The appeal against the November 12, 2008 decision is currently pending before the Court of First Instance of the European Communities.

NOTE 28 Related-party transactions

Balances and transactions with associates

(in EUR millions)	Dec. 31, 2009	Dec. 31, 2008
Assets		
Financial receivables	1	2
Inventories	0	1
Short-term receivables	11	11
Cash and cash equivalents	0	0
Provisions for impairment in value	1	0
Liabilities		
Short-term debt	3	4
Cash advances	1	0
Expenses		
Purchases	16	21
Income		
Sales	40	45

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 2009, these revenues amounted to €11 million (2008: €8 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 29 Joint ventures

The amounts recorded in the balance sheet and income statement corresponding to the Group's interest in its proportionately consolidated companies are as follows:

(in EUR millions)	2009	2008
Non-current assets	283	303
Current assets	140	163
Non-current liabilities	35	35
Current liabilities	119	142
Sales	311	320
Operating expenses	263	257

NOTE 30 Management compensation

Direct and indirect compensation and benefits paid to members of the Board of Directors and the Group's senior management were as follows in 2009:

(in EUR millions)	2009	2008
Attendance fees	0.8	0.8
Direct and indirect compensation (gross):		
- Fixed portion	7.6	8.0
- Variable portion	2.6	5.4
Estimated compensation cost - pensions and other employee benefits (IAS 19)	2.1	1.4
Expense relating to stock options	8.2	10.7
Termination benefits	0.0	1.5
Total	**21.3**	**27.8**

Employers' social security contributions relating to the above compensation represented an estimated €3.3 million.

Pension obligations for the Group's directors and corporate officers totaled €36.9 million.

NOTE 31 Employees

Average number of employees	2009	2008
Fully consolidated companies		
Managers	25,179	22,674
Administrative employees	81,005	84,589
Other employees	90,862	99,205
Sub-total	**197,046**	**206,468**
Proportionately consolidated companies (*)		
Managers	112	126
Administrative employees	584	548
Other employees	971	911
Sub-total	**1,667**	**1,585**
TOTAL	**198,713**	**208,053**

** Proportion of headcount allocated to the Group.*

At December 31, 2009, the total number of Group employees – including in proportionately consolidated companies – was 189,876 (December 31, 2008: 207,684).

NOTE 32 Segment information

Segment information by sector and division

Segment information is presented as follows:

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

Management uses several different internal indicators to measure operational performance and to make resource allocation decisions. These indicators are based on the data used to prepare the consolidated financial statements and meet financial reporting requirements. Intragroup ("internal") sales are generally carried out on the same terms as sales to external customers and are eliminated in consolidation. The accounting policies used are the same as those applied for consolidated financial reporting purposes, as described in Note 1.

2009	Innovative materials				Construction products				Building distribution	Packaging	Other*	Total
(in EUR millions)	Flat Glass	High performance materials	Intra-segment eliminations	Total	Interior solutions	Exterior solutions	Intra-segment eliminations	Total				
External sales	4,532	3,143		7,675	4,518	5,047		9,565	17,098	3,445	3	37,786
Internal sales	40	97	(20)	117	516	366	(33)	849	3		(969)	0
Net sales	4,572	3,240	(20)	7,792	5,034	5,413	(33)	10,414	17,101	3,445	(966)	37,786
Operating income/(loss)	155	215		370	344	641		985	412	437	12	2,216
Business income/(loss)	(46)	116		70	59	580		639	250	395	(114)	1,240
Share in net income/(loss) of associates	1			1	(1)	(1)		(2)	2	1		2
Depreciation and amortization	289	184		473	328	181		509	286	220	26	1,514
Impairment of assets	8	19		27	235	18		253	18	9	41	348
Capital expenditure	327	130		457	201	167		368	166	260	14	1,265
Cash flow from operations				385				659	283	492	484	2,303
EBITDA	444	399		843	672	822		1,494	698	657	38	3,730
Goodwill, net				1,373				5,757	3,375	235		10,740
Non-amortizable brands								820	1,854			2,674
Total segment assets**				6,846				12,163	7,979	2,067	272	29,327

** Other" corresponds to a) the elimination of intragroup transactions for internal sales and b) holding company transactions for the other captions.*
*** Segment assets include net property, plant and equipment, working capital, goodwill and net other intangible assets, after deducting deferred taxes on brands and land.*

2008 (in EUR millions)	Innovative materials: Flat Glass	Innovative materials: High performance materials	Innovative materials: Intra-segment eliminations	Innovative materials: Total	Construction products: Interior solutions	Construction products: Exterior solutions	Construction products: Intra-segment eliminations	Construction products: Total	Building distribution	Packaging	Other*	Total
External sales	5,502	4,032		9,534	5,538	5,482		11,020	19,692	3,547	7	43,800
Internal sales	47	133	(37)	143	611	437	(33)	1,015	4	0	(1,162)	0
Net sales	5,549	4,165	(37)	9,677	6,149	5,919	(33)	12,035	19,696	3,547	(1,155)	43,800
Operating income/(loss)	701	543		1,244	592	478		1,070	894	442	(1)	3,649
Business income/(loss)	212	500		712	579	369		948	826	432	(104)	2,814
Share in net income/(loss) of associates	0	1		1	6	0		6	1	2	1	11
Depreciation and amortization	315	178		493	327	176		503	284	208	23	1,511
Impairment of assets	52	53		105	10	16		26	35	3	1	170
Capital expenditure	576	223		799	529	236		765	298	283	18	2,163
Cash flow from operations				1,170				885	650	510	309	3,524
EBITDA	1,016	721		1,737	919	654		1,573	1,178	650	22	5,160
Goodwill, net				1,394				5,817	3,217	243		10,671
Non-amortizable brands								710	1,803			2,513
Total segment assets**				7,025				12,513	8,513	2,023	149	30,223

*"Other" corresponds to a) the elimination of intragroup transactions for internal sales and b) holding company transactions for the other captions.
** Segment assets include net property, plant and equipment, working capital, goodwill and net other intangible assets, after deducting deferred taxes on brands and land.

Information by geographic area

(in EUR millions)	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	Total
2009						
Net sales	11,495	16,557	4,864	6,377	(1,507)	**37,786**
Total segment assets	6,834	12,532	4,446	5,515		**29,327**
Capital expenditure	265	418	168	414		**1,265**

(in EUR millions)	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	Total
2008						
Net sales	13,076	19,941	5,499	7,404	(2,120)	**43,800**
Total segment assets	7,317	12,613	4,873	5,420		**30,223**
Capital expenditure	565	684	221	693		**2,163**

The geographical breakdown of external sales by destination for 2009 and 2008 is as follows:

(in EUR millions)	France	Other Western European countries	North America	Emerging countries and Asia	Total
2009					
Net sales	10,198	16,174	4,637	6,777	**37,786**
2008					
Net sales	11,499	19,253	5,262	7,786	**43,800**

NOTE 33 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, 2009		% interest (held directly and indirectly)
INNOVATIVE MATERIALS SECTOR		
Flat glass		
Saint-Gobain Glass France	France	100.00%
Saint-Gobain Sekurit France	France	100.00%
Saint-Gobain Glass Logistics	France	100.00%
Saint-Gobain Sekurit Deutschland GmbH & CO Kg	Germany	99.92%
Saint-Gobain Glass Deutschland GmbH	Germany	99.92%
SG Deutsche Glas GmbH	Germany	99.92%
Saint-Gobain Glass Benelux	Belgium	99.80%
Saint-Gobain Sekurit Benelux SA	Belgium	99.92%
Saint-Gobain Autover Distribution SA	Belgium	99.92%
Koninklijke Saint-Gobain Glass	Netherlands	100.00%
Saint-Gobain Glass Polska Sp Zoo	Poland	99.92%
Saint-Gobain Sekurit Hanglas Polska Sp. Z O.O	Poland	97.55%
Cebrace Cristal Plano Ltda	Brazil	50.00%
Saint-Gobain Do Brazil Ltda	Brazil	100.00%
Saint-Gobain Cristaleria SA	Spain	99.83%
Solaglas Ltd	United Kingdom	99.97%
Saint-Gobain Glass UK Limited	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	90.11%
Saint-Gobain Glass India	India	97.82%
Saint-Gobain Glass Mexico	Mexico	99.83%
High performance materials		
Saint-Gobain Abrasifs	France	99.93%
Société Européenne des Produits Réfractaires	France	100.00%
Saint-Gobain Abrasives Gmbh	Germany	100.00%
Saint-Gobain Abrasives Inc.	United States	100.00%
Saint-Gobain Ceramics & Plastics Inc.	United States	100.00%
Saint-Gobain Performance Plastics Corp.	United States	100.00%
SG Abrasives Canada Inc	Canada	100.00%
Saint-Gobain Abrasivi	Italy	99.93%
SEPR Italia	Italy	100.00%
Saint-Gobain Abrasivos Brasil Ltda	Brazil	100.00%
Saint-Gobain Abrasives BV	Netherlands	100.00%
Saint-Gobain Abrasives Ltd	United Kingdom	99.97%
Saint-Gobain Vertex SRO	Czech Republic	100.00%

Principal fully consolidated companies at December 31, 2009		% interest (held directly and indirectly)
CONSTRUCTION PRODUCTS SECTOR		
Interior solutions		
Saint-Gobain Isover	France	100.00%
Saint-Gobain Isover G+H AG	Germany	99.91%
Saint-Gobain Gyproc Belgium NV	Belgium	100.00%
CertainTeed Corporation	United States	100.00%
Saint-Gobain Isover AB	Sweden	100.00%
Saint-Gobain Ecophon Group	Sweden	100.00%
Saint-Gobain Construction Product Russia Insulation	Russia	100.00%
BPB Plc	United Kingdom	100.00%
Certain Teed Gypsum & Ceillings USA	United States	100.00%
Certain Teed Gypsum Canada Inc	Canada	100.00%
Saint-Gobain Gyproc South Africa	South Africa	100.00%
Saint-Gobain Placo Iberica	Spain	99.83%
Saint-Gobain PPC Italia SpA	Italy	100.00%
British Gypsum Ltd	United Kingdom	100.00%
Gypsum industries Ltd	Ireland	100.00%
Placoplatre SA	France	99.75%
Rigips GmbH	Germany	100.00%
Thai Gypsum Products PLC	Thaïland	99.66%
Exterior solutions		
Saint-Gobain Weber	France	99.99%
Saint-Gobain Do Brazil Ltda	Brazil	100.00%
Saint-Gobain Weber Cemarksa SA	Spain	99.83%
Maxit Group AB	Sweden	100.00%
Saint-Gobain Weber AG	Switzerland	100.00%
Saint-Gobain Weber Germany	Germany	99.99%
CertainTeed Corporation	United States	100.00%
Saint-Gobain PAM SA	France	100.00%
Saint-Gobain PAM Deutschland GmbH	Germany	100.00%
Saint-Gobain PAM UK Limited	United Kingdom	99.97%
Saint-Gobain PAM Espana SA	Spain	99.83%
Saint-Gobain PAM Italia s.p.a	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 Distribucion y Construccion	Spain	99.83%
Saint-Gobain Building Distribution Deutschland GmbH	Germany	100.00%
Saint-Gobain Building Distribution Ltd	United Kingdom	99.97%

Principal fully consolidated companies at December 31, 2009		% interest (held directly and indirectly)
Saint-Gobain Distribution The Netherlands Bv	Netherlands	100.00%
Saint-Gobain Distribution Nordic AB	Sweden	100.00%
Optimera AS	Norway	100.00%
Optimera Danmark A/S	Denmark	100.00%
Sanitas Troesch	Switzerland	100.00%
Norandex Building Material Distribution Inc	United States	100.00%
PACKAGING SECTOR		
Saint-Gobain Emballage	France	100.00%
Saint-Gobain Vidros SA	Brazil	100.00%
Saint-Gobain Oberland AG	Germany	96.67%
Saint-Gobain Vicasa SA	Spain	99.75%
Saint-Gobain Containers Inc.	United States	100.00%
Saint-Gobain Vetri SpA	Italy	99.99%

NOTE 34 Subsequent events

None.

STATUTORY AUDITORS' REPORT

ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2009

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

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

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, 2009, on:

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

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

I - Opinion on the consolidated financial statements

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

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2009 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II - Justification of our assessments

Accounting estimates used for the preparation of the consolidated financial statements for the year ended December 31, 2009 have been made in the context of a sharp deterioration in the economic and financial environment which makes assessing the business outlook very difficult, as described in Note 1 to the consolidated financial statements (Estimates and assumptions). Against this backdrop, and in accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- **Measurement of property, plant and equipment and intangible assets**

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

- **Employee benefits**

The methods applied for assessing employee benefits are set out in Note 1 to the consolidated financial statements (Employee benefits – defined benefit plans). These benefit obligations were reviewed by independent actuaries. Our work consisted of assessing the data and assumptions used, examining, on a test basis, the calculations performed and verifying that the information disclosed in Notes 1 and 14 to the consolidated financial statements is appropriate.

- **Provisions**

As specified in Note 1 to the consolidated financial statements (Other current and non-current liabilities and provisions), the Group books provisions to cover risks. The types of provisions recorded under "Other current and non-current liabilities and provisions" are described in Note 16 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 relating to the European Commission's decision concerning the automotive glass industry, as well as the disclosures regarding said provisions provided in the notes to the consolidated financial statements, are appropriate.

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

III - Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, February 25, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG AUDIT
Department of KPMG S.A.

Rémi Didier   Jean-Christophe Georghiou

Jean Gatinaud   Jean-Paul Vellutini

FINANCIAL STATEMENTS

OF COMPAGNIE DE SAINT-GOBAIN (parent company)

INCOME STATEMENT

(in EUR thousands)		2009	2008
Operating revenue			
Royalties and license fees		104,558	123,257
Other services		67,097	76,044
Net revenue		**171,655**	**199,301**
Write-backs of depreciation, amortization, impairment and provisions		9,193	11,589
Expense transfers		11,494	5,308
Other operating income		298	355
	Total I	**192,640**	**216,553**
Operating expenses			
Other purchases and external charges		(111,791)	(123,046)
Taxes other than on income		(5,954)	(5,967)
Wages and salaries		(33,517)	(36,855)
Payroll taxes		(15,578)	(17,533)
Depreciation, amortization, impairment and provisions		(21,385)	(22,536)
Other operating expense		(2,604)	(2,766)
	Total II	**(190,829)**	**(208,703)**
OPERATING INCOME		**1,811**	**7,850**
Share in profits/(losses) of joint ventures		–	–
Profits	Total III	–	–
Losses	Total IV	–	–
Financial income			
Income from investments in subsidiaries and affiliates		755,538	985,604
Income from loans and other investments		738,854	835,876
Income from other non-current investment securities		17	21
Other interest income		112,417	154,095
Write-backs of impairment and provisions, expense transfers		29,735	11,764
Foreign exchange gains		11,278	43,929
Net income from sales of marketable securities		16,323	14,932
	Total V	**1,664,162**	**2,046,221**
Financial expense			
Amortization, impairment and provisions		(30,250)	(23,034)
Interest expense		(740,552)	(889,085)
Foreign exchange losses		(356)	(33,653)
Net losses on sales of marketable securities		–	–
	Total VI	**(771,158)**	**(945,772)**
NET FINANCIAL INCOME (NOTE 2)		**893,004**	**1,100,449**
INCOME BEFORE TAX AND EXCEPTIONAL ITEMS		**894,815**	**1,108,299**

(in EUR thousands)		2009	2008
Exceptional income			
On revenue transactions		6,444	4,709
On capital transactions		8,758	52,880
Write-backs of depreciation, amortization, impairment and provisions		25,457	10,620
	Total VII	40,659	68,209
Exceptional expense			
On revenue transactions		(3,496)	(11,950)
On capital transactions		(10,906)	(56,608)
Depreciation, amortization, impairment and provisions		(33,313)	(4,894)
	Total VIII	(47,715)	(73,452)
NET EXCEPTIONAL EXPENSE (NOTE 3)		**(7,056)**	**(5,243)**
INCOME TAXES (NOTE 4)	**TOTAL IX**	**150,254**	**160,471**
Total income		1,897,461	2,330,983
Total expenses		(859,448)	(1,067,456)
NET INCOME		**1,038,013**	**1,263,527**

BALANCE SHEET AT DECEMBER 31

ASSETS *(in EUR thousands)*		2009 Gross	2009 Depreciation, amortization and impairment	2009 Net	2008
NON-CURRENT ASSETS					
Intangible assets (Note 5)					
Goodwill [1]		567	(567)	–	–
Other intangible assets		46,480	(41,154)	5,326	7,062
Intangible assets in progress		2,710		2,710	3,221
Property and equipment (Note 6)					
Land		15,146		15,146	620
Buildings		15,099	(1,711)	13,388	12,819
Other		9,671	(5,848)	3,823	4,049
Assets under construction		2,338		2,338	1,129
Financial investments [2] (Note 7)					
Investments in subsidiaries and affiliates		12,369,479	(631)	12,368,848	9,067,258
Loans and advances to subsidiaries and affiliates		11,678,378		11,678,378	12,667,017
Other investment securities		184,104	(59,431)	124,673	127,402
Other loans		679,440		679,440	1,000,373
Other financial investments		328		328	459
	Total I	**25,003,740**	**(109,342)**	**24,894,398**	**22,891,409**
CURRENT ASSETS (Note 8)					
Other receivables [3]		2,320,966		2,320,966	3,384,266
Marketable securities		2,147,765		2,147,765	1,224,550
Cash and cash equivalents		172,214		172,214	28,642
Accruals					
Prepayments [3]		2,328		2,328	4,820
	Total II	**4,643,273**	**–**	**4,643,273**	**4,642,278**
Deferred charges	**Total III**	**52,098**	**–**	**52,098**	**26,410**
Translation losses	**Total IV**	**–**	**–**	**–**	**–**
TOTAL ASSETS		**29,699,111**	**(109,342)**	**29,589,769**	**27,560,097**
(1) Including leasehold rights				–	–
(2) Of which due within one year				2,421,852	2,639,381
(3) Of which due beyond one year				1,655	2,878

SHAREHOLDERS' EQUITY AND LIABILITIES *(in EUR thousands)*		2009	2008
SHAREHOLDERS' EQUITY (Note 9)			
Capital stock		2,051,724	1,530,288
Additional paid-in capital		5,136,291	3,786,714
Revaluation reserve		55,532	55,532
Other reserves:			
Legal reserve [a]		205,172	153,029
Untaxed reserves		2,617,758	2,617,758
Other reserves		301,428	301,428
Unappropriated retained earnings		2,388,142	1,610,624
Net income for the year		1,038,013	1,263,527
Untaxed provisions **(Note 11)**		8,869	6,439
	Total I	**13,802,929**	**11,325,339**
OTHER EQUITY (Note 10)			
Non-voting participating securities	**Total I bis**	**170,035**	**170,035**
PROVISIONS (Note 11)			
Provisions for contingencies		100,959	84,048
Provisions for charges		73,285	67,434
	Total II	**174,244**	**151,482**
LIABILITIES [1] (Note 12)			
Bonds		8,310,977	6,258,699
Bank borrowings [2]		222,188	2,292,346
Other borrowings		6,781,213	7,174,125
Tax and social charges payable		93,213	113,379
Other payables		34,970	74,675
Accruals			
Deferred income		–	–
	Total III	**15,442,561**	**15,913,224**
Translation gains	**Total IV**	**–**	**17**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**29,589,769**	**27,560,097**
(a) of which long-term capital gains reserves		14,225	14,225
(1) of which due beyond one year		8,763,938	9,820,722
of which due within one year		6,678,623	6,092,502
(2) of which short-term bank loans and overdrafts		66,053	83,489

CASH FLOW STATEMENT

(in EUR thousands)	2009	2008
Net income	**1,038,013**	**1,263,527**
Depreciation and amortization	13,988	2,245
Changes in provisions	6,575	14,255
Gains and losses on disposals of assets, net	1,034	(1,359)
Net cash from operations	**1,059,610**	**1,278,668**
(Increase) decrease in other receivables	1,023,580	(868,743)
Increase (decrease) in taxes and social charges payable	(20,166)	55,610
Increase (decrease) in other payables	(30,765)	41,602
Net change in working capital	**972,649**	**(771,531)**
Net cash from/(used in) operating activities	**2,032,259**	**507,137**
Acquisitions of intangible assets	(2,808)	(2,508)
Acquisitions of property and equipment	(17,426)	(1,992)
Proceeds from disposals of property and equipment and intangible assets	–	–
Acquisitions of investments in subsidiaries and affiliates and other investment securities	(3,312,392)	(993,002)
Proceeds from disposals of investments in subsidiaries and affiliates and other investment securities	19,568	52,880
(Increase) decrease in loans and advances to subsidiaries and affiliates	988,639	(942,811)
(Increase) decrease in long-term loans	320,933	(98,368)
(Increase) decrease in other financial investments	131	125
Net cash used in investing activities	**(2,003,355)**	**(1,985,676)**
Issues of capital stock	1,923,156	356,015
Dividends paid	(486,009)	(766,732)
Increase (decrease) in provisions for contingencies and charges	11,545	1,611
Increase (decrease) in short- and long-term debt	(179,074)	1,639,661
Increase (decrease) in bank overdrafts and other short-term debt	(231,718)	1,396,215
Decrease (increase) in marketable securities	(923,215)	(1,174,323)
Increase (decrease) in translation adjustments	(17)	(1,149)
Net cash from financing activities	**114,668**	**1,451,298**
Increase (decrease) in cash and cash equivalent	**143,572**	**(27,241)**
Cash and cash equivalents at beginning of year	28,642	55,883
Cash and cash equivalents at end of year	172,214	28,642
Analysis of cash and cash equivalents at December 31		
Cash at bank	172,214	28,642
Cash on hand	–	–
Total	172,214	28,642

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The financial statements cover the twelve-month period from January 1 to December 31, 2009.

The following notes form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on February 25, 2010.

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.

They include the accounts of the Company's German branch.

Intangible assets

Purchased goodwill that is not legally protected is amortized over 25 years. Other intangible assets consist mainly of computer software. They are measured at cost and amortized over a period of three or five years.

Property and equipment

Property and equipment are stated at cost (purchase price plus incidental expenses), except for assets acquired prior to December 31, 1976 which have been revalued.

They are depreciated over their estimated useful lives 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
• Fixtures 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

Investments in subsidiaries and affiliates, other investment securities and other financial investments

On initial recognition, investments in subsidiaries and affiliates are stated at cost excluding any incidental expenses. They are subsequently measured at the lower of cost and fair value. Fair value is estimated at each balance sheet date based on several methods, of which the Company's equity in the underlying net assets and the proportion of consolidated net assets represented by the investment. Specific impairment tests may be performed on a case-by-case basis, to determine the net present value of future cash flows, excluding interest expense but after tax, based on business plans or long-term budget projections.

No unrealized capital gain is recorded if fair value exceeds cost, and unrealized gains and losses are not offset.

Compagnie de Saint-Gobain shares held by the Company at year-end for allocation upon exercise of stock options are recorded in the balance sheet under «Other investment securities». They are carried at the lower of cost, market price or the option exercise price when it is probable that the options will be exercised.

Receivables

Receivables are stated at the lower of their nominal value and recoverable amount.

Marketable securities

Marketable securities mainly include units in money-market funds (SICAV) and are stated at the lower of cost and market.

Foreign currency transactions

Income and expenses in foreign currencies are recorded at the exchange rate prevailing on the transaction date. Receivables, payables and bank balances in foreign currencies are converted at the year-end exchange rate, along with the related hedging instruments, and the differences arising on translation are recorded in the balance sheet under "Translation gains" or "Translation losses". Provisions are booked for any translation losses that are not hedged.

Risk management/Financial instruments

Liquidity risk is managed with the main objective of ensuring that the Group's existing facilities are rolled over at maturity, while at the same time optimizing annual borrowing costs. For this reason, long-term debt consistently represents a significant proportion of total debt, while repayment profiles are designed to ensure that new debt issues are spread over several years.

Currency, interest rate, and commodity (energy and raw materials) price risks resulting from the Group's international activities are hedged by Compagnie de Saint-Gobain, mainly on behalf of subsidiaries.

Currency risks are hedged mainly by forward purchase and sale contracts and currency options. The hedged receivables and payables are recorded in the balance sheet at the hedging rate.

The portion of the gain or loss on currency options representing the extrinsic (time) value is taken to income, and the portion representing the intrinsic value is recorded in the balance sheet. Unrealized losses on currency options that do not qualify for hedge accounting are recognized in the income statement, whereas unrealized gains are not recognized.

At December 31, 2009, currency options were held as hedges of operating transactions.

The Company uses interest rate swaps and options (caps and floors) as well as forward rate agreements to hedge its exposure to fluctuations in interest rates.

Financial income and expenses on interest rate swaps are recognized in the income statement on a symmetrical basis with the income and expenses on the hedged items.

The portion of the gain or loss on interest rate options representing the extrinsic (time) value is taken to income, and the portion representing the intrinsic value is recorded in the balance sheet. Interest rate options that do not qualify for hedge accounting are recognized in the income statement at market value.

Subsidiaries' commodity price risks (energy an raw materials) are hedged by the Company, mainly by using swaps. Financial income and expenses on these swaps are recognized in the income statement on a symmetrical basis with the income and expenses on the hedged items.

Tax consolidation agreements

Compagnie de Saint-Gobain was previously assessed for income tax on its worldwide taxable income as provided for under Article 209 *quinquies* of the French Tax Code. The last period covered by the agreement was 2004-2006. The Company chose not to renew the agreement for the accounting period starting January 1, 2007.

Since that date, the Company has applied the group relief regime provided for in Articles 223 A et seq. of the French Tax Code.

A provision is recorded in the Company's accounts for the taxes that may be payable in future periods following the return to profit of members of the tax group whose tax losses have been used by the Company. Movements in this provision are recorded under exceptional items.

Under the group relief agreements between Compagnie de Saint-Gobain and the subsidiaries in the tax group, the Company is not required to transfer tax benefits (via a cash payment) to subsidiaries when they return to profit or leave the tax group. No such tax benefits have been transferred by Compagnie de Saint-Gobain to its subsidiaries in the past.

NOTE 2 Net financial income

Net financial income declined by €207.4 million in 2009 to €893.0 million from €1,100.4 million in 2008, reflecting:

- A €230 million decrease in dividends received from subsidiaries.
- An €11.2 million rise in income from loans and investments, net of interest expense.
- A €0.6 million increase in net foreign exchange gains (after the impact of provisions).

Changes in amortization and impairment of financial assets represented a net expense of €0.5 million in 2009, reflecting a €10.8 million improvement compared with net expense of €11.3 million in 2008. The favorable change stemmed from:

- A €0.5 million increase in provision reversals to offset losses on sales of Compagnie de Saint Gobain shares. These losses amounted to €2.8 million in 2009 versus €2.3 million in 2008 and were recorded in exceptional expense.
- A €21.9 million increase in provision reversals related to Compagnie de Saint-Gobain shares held for allocation on exercise of stock options. The provision reversals reflected a reduction in impairment of the shares held for the three stock option plans, which are measured at the lower of the option exercise price and the weighted average share price for the month of December.
- These favorable changes were partly offset by an €11.4 million increase in amortization of debt issuance costs and syndicated loan arrangement fees.

NOTE 3 Exceptional income and expense

The Company reported net exceptional expense of €7.1 million in 2009, primarily comprising:

- A €2.8 million loss on Compagnie de Saint-Gobain shares sold upon exercise of stock options, which was offset by a write-back from the provision for impairment of the shares recognized in financial income (Note 2). Since 2008, in line with the new tax rules (published in the Bulletin Officiel des Impôts issue no. 4N-1-08 dated April 9, 2008), the loss is billed to the companies that employed the option holders at the grant date, in order to preserve its deductibility. The amount billed, representing taxable income, came to €1.7 million in 2009 and was included in exceptional items.
- A net gain of €2.9 million on sales of the Company's shares under the liquidity contract managed by Exane.
- Net charges to provisions for taxes in the amount of €5.2 million.
- €1.1 million in expenses to prepare the sale of investments in subsidiaries and affiliates.
- €2.4 million in accelerated capital allowances recognized during the year.

NOTE 4 Income taxes

The Company recorded a net income tax benefit of €150.3 million in 2009, corresponding primarily to:

- French group relief of €132.7 million for 2009, net of income tax expense of €42.5 million due by Compagnie de Saint-Gobain on a stand-alone basis.
- Net income tax expense of €2.8 million in respect of tax adjustments related to prior years and reversals of deferred tax assets.
- A tax benefit of €20.4 million for the Company's German branch, including €11.1 million under the German group relief regime (Organschaft).

The French tax group incurred a tax loss in 2009, giving rise to a future tax saving of €64 million. The German branch also reported a loss under the *Organschaft* regime, giving rise to a future tax saving of €10.1 million. No deferred tax assets have been recorded in the financial statements for these future tax savings.

NOTE 5 Intangible assets

	Intangible assets				Amortization			
(in EUR thousands)	Gross at January 1, 2009	Additions	Disposals	Gross at December 31, 2009	Accumulated at January 1, 2009	Increases	Decreases	Accumulated at December 31, 2009
Purchased goodwill	567	–	–	567	567		–	567
Other intangible assets	43,350	3,319	(189)	46,480	36,288	5,055	(189)	41,154
Greenhouse gas emissions allowances	–	–	–	–	–	–	–	–
Intangible assets in progress	3,221		(511)	2,710	–	–	–	–
	47,138	**3,319**	**(700)**	**49,757**	**36,855**	**5,055**	**(189)**	**41,721**

The negative amount shown on the "Intangible assets in progress" line under "Disposals" corresponds to expenditure for the year less the value of assets put into service during the year and reclassified to another intangible assets account.

NOTE 6 Property and equipment

	Intangible assets				Amortization			
(in EUR thousands)	Gross at January 1, 2009	Additions	Disposals	Gross at December 31, 2009	Accumulated at January 1, 2009	Increases	Decreases	Accumulated at December 31, 2009
Land [1]	620	14,526	–	15,146	–	–	–	–
Buildings [1]	13,799	1,300		15,099	980	731		1,711
Other	9,809	391	(529)	9,671	5,760	616	(528)	5,848
Assets under construction [2]	1,129	1,209		2,338	–	–	–	–
Prepayments	–			–	–	–	–	–
	25,357	**17,426**	**(529)**	**42,254**	**6,740**	**1,347**	**(528)**	**7,559**

(1) The increase in "Land" corresponds to the exercise, on January 30, 2009, of the purchase option under the December 18, 1996 finance lease on the Company's headquarters building in La Défense (Les Miroirs). The building had been fully depreciated when the option was exercised. Its residual value and purchase price were therefore both equal to zero.
(2) The negative amount shown on the "Assets under construction" line under "Disposals" corresponds to expenditure for the year less the value of assets put into service during the year and reclassified to another property or equipment account.

NOTE 7 Financial investments

Financial investments

(in EUR thousands)	Gross at January 1, 2009	Financial investments Additions	Disposals	Gross at December 31, 2009
Investments in subsidiaries and affiliates	9,067,897	3,551,941	(250,359)	12,369,479
Loans and advances to subsidiaries and affiliates	12,667,017	19,294,687	(20,283,326)	11,678,378
Other investment securities	193,896		(9,792)	184,104
Other loans	1,000,373	2,387,068	(2,708,001)	679,440
Other financial investments	459	145	(276)	328
	22,929,642	**25,233,841**	**(23,251,754)**	**24,911,729**

Changes in investments in subsidiaries and affiliates

(in EUR thousands)	Additions	Disposals
Participation in the rights issue by SG Benelux	412,000	
Participation in the rights issue by SG Do Brasil	59,553	
Participation in the rights issue by SPAFI	2,440,837	
Participation in the rights issue by VERTEC	400,000	
Purchase of SG Campus from SG Recherche	2	
SG Campus capital reduction		(6,464)
Liquidation of SG Campus (net assets transferred to CSG)		(4,346)
Internal restructuring operations		
1 Merger of Jarvis Participacoes LTDA		(77,302)
into SG Do Brasil	77,302	
2 Transfer of ISG shares to Spafi		(162,247)
Transfer of ISG shares to Spafi	162,247	
Total	**3,551,941**	**(250,359)**

Analysis of loans, receivables and other financial investments by maturity

(in EUR thousands)	Total	Due Within 1 year	Beyond 1 year
Loans and advances to subsidiaries and affiliates	11,678,378	1,742,413	9,935,965
Other loans	679,440	679,439	1
Other	328	–	328
Total	**12,358,146**	**2,421,852**	**9,936,294**

Changes in other investment securities

(in EUR thousands)	Additions	Disposals
Sales of Compagnie de Saint-Gobain shares	–	(9,792)
Other sales of shares	–	–
Total	**–**	**(9,792)**

Changes in Compagnie de Saint-Gobain shares held by the Company

	Number of shares held	Gross *(in EUR thousands)*	Net *(in EUR thousands)*
At December 31, 2006	6,739,668	317,674	226,579
Shares purchased in 2007	–	–	–
Shares sold in 2007	(2,460,265)	(118,317)	(78,368)
Shares cancelled in 2007	–	–	–
Adjustments to provision for impairment in value	–	–	–
At December 31, 2007	4,279,403	199,357	148,211
Shares purchased in 2008	–	–	–
Shares sold in 2008	(115,490)	(5,726)	(3,398)
Shares cancelled in 2008	–	–	–
Adjustments to provision for impairment in value	–	–	(17,631)
At December 31, 2008	4,163,913	193,631	127,182
Shares purchased in 2009	–	–	–
Shares sold in 2009	(215,304)	(9,792)	(7,008)
Shares cancelled in 2009	–	–	–
Adjustments to provision for impairment in value	–	–	4,286
At December 31, 2009	3,948,609	183,839	124,460

The **3,948,609** shares shown in the table above are held in connection with stock option plans.

The Company also holds **255,790** of its own shares in connection with a liquidity agreement (see Note 8 "Marketable securities"), bringing the total number of own shares held at December 31, 2009 to **4,204,399**.

NOTE 8 Current assets

Maturities of receivables reported under "Current assets"

(in EUR thousands)	Gross	Due Within 1 year	Due Beyond 1 year
Other receivables	2,320,966	2,319,608	1,358
Prepayments	2,328	2,031	297
Total	2,323,294	2,321,639	1,655
Provisions for doubtful receivables	–	–	–

Analysis of "Other receivables"

(in EUR thousands)	2009	2008
Current account advances to subsidiaries	2,211,215	3,268,448
Income tax prepayments	64,922	2,057
Accounts receivable – Group	28,805	26,227
Prepaid and recoverable taxes	6,801	2,903
Goods and services delivered but not yet invoiced	3,665	281
Mark-to-market adjustments to swaps and options [1]	1,513	78,277
Recoverable withholding tax	148	153
Dividends receivable – Group	–	1,442
Other	3,897	4,478
TOTAL	2,320,966	3,384,266

(1) Mark-to-market adjustments to swaps and options that represent debit entries are recorded as assets under "Other receivables" and those representing credit entries are recorded as liabilities under "Other payables".

Marketable securities

Marketable securities amounted to €2,148 million at December 31, 2009.

The total included €2,119 million worth of units in money market funds, representing the investment of funds held by the cash pool managed by the Company on behalf of the Group.

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 Association Française des Entreprises d'Investissement (AFEI), which is recognized by the Autorité des Marchés Financiers (AMF). It came into effect on December 3, 2007 for an initial period ending on December 31, 2007, since when it has been automatically renewable for successive one-year periods.

The assets held by the Company under the liquidity agreement at December 31, 2009 comprised:

- €18.9 million worth of units in a euro-denominated money market fund, and
- 255,790 Compagnie de Saint-Gobain shares with a carrying value of €9.6 million.

Marketable securities are valued using the first in-first out (FIFO) method.

NOTE 9 Shareholders' equity

9.1 Changes in capital stock

Par value at December 31, 2008: €4 Par value at December 31, 2009: €4	Number of shares	Amount *(EUR thousands)*
Capital stock at January 1, 2009	382,571,985	1,530,288
March 23, 2009 rights issue	108,017,212	432,069
Shares issued under the Group Savings Plan on May 12, 2009	8,498,377	33,993
Shares issued in payment of dividends on June 29, 2009	13,805,920	55,224
Shares issued upon exercise of stock options on December 31, 2009	37,522	150
Capital stock at December 31, 2009	**512,931,016**	**2,051,724**

At December 31, 2009, capital stock amounted to €2,051,724 thousand, represented by **512,931,016** shares of common stock with a par value of €4 each.

9.2 Statement of changes in shareholders' equity

(in EUR thousands)	Amount
Shareholders' equity at December 31, 2008 before appropriation of 2008 net income	**11,325,339**
March 23, 2009 rights issue	1,474,074
Shares issued under the Group Savings Plan on May 12, 2009	133,619
Payment in 2009 of the 2008 dividend	(486,009)
Shares issued in payment of dividends on June 29, 2009	314,252
Shares issued upon exercise of stock options on December 31, 2009	1,211
Other changes – adjustments to the revaluation reserve and untaxed provisions	2,430
Net income for 2009	1,038,013
Shareholders' equity at December 31, 2009 before appropriation of 2009 net income	**13,802,929**

9.3 Main changes in shareholders' equity

The main changes in capital stock and shareholders' equity in 2009 were as follows:

- **March 23 rights issue:** a total of 108,017,212 new shares were issued at a price of €14. The issue gross proceeds amounted to €1,512,241 thousand (€1,474,074 thousand net after deducting the issue costs, net of tax, from the premium).
- **Stocks dividends option:** a total of 13,805,920 new shares were issued at a price of €22.83. The issue gross proceeds amounted to €315,189 thousand (€314,252 thousand net after deducting the issue costs, net of tax, from the premium). Cash dividends paid during the year totaled €171,757 thousand.
- **Group Savings Plan:** a total of 8,498,377 new shares were issued at a price of €15.80. The issue gross proceeds amounted to €134,274 thousand (€133,619 thousand net after deducting the issue costs, net of tax, from the premium).
- **Stock option plans:** a total of 37,522 shares were issued during the year at a price of €32.26 upon exercise of stock options granted under the November 2003 plan. The gross and net issue proceeds amounted to €1,211 thousand and the issues were placed on record on December 31, 2009.

As a result of these issues, **capital stock** increased by €521,436 thousand, the **legal reserve** by €52,144 thousand, and **additional paid-in capital** by €1,349,576 thousand.

Changes in **unappropriated retained earnings** during the year were as follows (in EUR thousands):

■ At December 31, 2008 (before appropriation of 2008 net income):	1,610,624
Appropriation of net income (3rd resolution of the AGM of June 4, 2009):	
■ Net income for the year	1,263,527
■ Less: final dividend taking into account the actual number of own shares held:	–486,009
■ At December 31, 2009 (before appropriation of 2009 net income):	2,388,142 k€

9.4 Stock option plans

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

Stock options are exercisable for Saint-Gobain shares at a price based on the average share price for the 20 trading days preceding the grant date. Since 1999, no discounts on the average price have been granted under these plans.

Since the November 2007 plan, all stock options are subject to a four-year vesting period. Under earlier plans, the vesting period was three years for non-residents and four years for residents. Options must be exercised within ten years of the date of grant. All rights to options are forfeited if the holder leaves the Group, unless expressly agreed otherwise by both the Chairman of Compagnie de Saint-Gobain and the Appointments Committee of the Board of Directors.

All options granted between 1999 and 2002 were exercisable for existing shares, while those granted between 2003 and 2007 were exercisable for new shares. For the November 20, 2008 and November 19, 2009 plans, the origin of the shares will be determined at the latest at the end of the four-year vesting period. If an option holder were to die or any of the events provided for in the General Tax Code were to occur during the four-year vesting period, only options exercisable for new shares would vest.

Until 2008, only options granted to certain categories of grantee were subject to performance conditions. All options granted under the 2009 plan are performance stock options that will vest only if return on capital employed (ROCE) reaches a certain level in 2010, 2011 and 2012. One-third of the options will vest if the ROCE target is met or exceeded in only one of the three years, two-thirds if the target is met or exceeded in two of the three years and all of the options if the target is met or exceeded in all three years. If the target is not met in any of the three years, none of the options will vest.

For options granted under the November 19, 2009 plan, the value used to calculate the 10% *contribution sociale* tax due by grantees employed by French companies in the Group was €9.63 per option (corresponding to 25% of the opening share price on November 19).

Movements relating to stock options outstanding in 2007, 2008 and 2009 are summarized below:

	€4 par value shares	Average exercise price *(in EUR)*
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**
Options granted	3,551,900	28.62
Options exercised	(198,376)	33.33
Options forfeited	(50,000)	71.56
Options outstanding at December 31, 2008	**25,295,607**	**45.84**
Impact of conversions following March 23 rights issue [1]	2,674,999	
Options granted	1,479,460	36.34
Options exercised	(252,826)	32.50
Options forfeited	(533,898)	43.63
Options outstanding at December 31, 2009 [1]	**28,663,342**	**41.23**

(1) Following the March 23, 2009 capital increase for cash carried out by issuing and allocating stock warrants, the number of options per grantee and the exercise price were adjusted in accordance with the applicable regulations (Article R228-91 of the French Commercial Code) in order to preserve the grantees' rights.

The new exercise price was determined by taking into account the number of shares issued per existing share (2 new shares for 7 existing shares), the issue price of the new shares (€14) and the cum-rights share price (€24.58, corresponding to the weighted average price for the three trading days preceding the rights issue, i.e. March 18, 19 and 20, 2009)

On this basis, the original exercise price was multiplied by 0.904363 to calculate the new price and the number of options was multiplied by 1.10575 so that the total value of option holders' rights (number of options multiplied by the exercise price) was the same before and after the adjustment.

The following table presents information about stock options outstanding at December 31, 2009:

Grant date	Exercisable options			Options not yet exercisable		Total options outstanding	Type of options
	Exercise price (in EUR)	Number of options	Weighted average contractual life (in months)	Exercise price (in EUR)	Number of options	Number of options	
2000	34.11	944,230	11	–	–	944,230	Purchase
2001	36.37	1,888,626	23	–	–	1,888,626	Purchase
2002	21.28	1,252,834	35	–	–	1,252,834	Purchase
2003	32.26	2,920,903	47	–	–	2,920,903	Subscription
2004	39.39	4,014,816	59	–	–	4,014,816	Subscription
2005	41.34	4,066,120	71	–	–	4,066,120	Subscription
2006	52.52	1,866,395	83	52.52	2,440,059	4,306,454	Subscription
2007	64.72	–	95	64.72	3,917,673	3,917,673	Subscription
2008	25.88	–	107	25.88	3,872,226	3,872,226	See Note 9.4
2009	36.34	–	119	36.34	1,479,460	1,479,460	See Note 9.4
Total	**–**	**16,953,924**	**–**	**–**	**11,709,418**	**28,663,342**	**–**

At December 31, 2009, 16,953,924 stock options were exercisable (at an average price of €38.11) and 11,709,418 options (average exercise price €45.75) had not yet vested.

9.5 Performance share grants

At its meeting on November 19, 2009, the Board of Directors decided to set up the Company's first performance share plan.

- Under the plan terms, eligible employees and officers of the Saint-Gobain Group in France and abroad were each awarded seven performance shares. The eligibility criterion was based on the grantee's period of service with the Group. The performance shares will vest if the average of the rates of growth in the Group's consolidated operating income (excluding the Packaging Sector) for the years 2010 and 2011 exceeds a certain level. If this performance criterion is not met, no performance shares will be delivered at the end of the vesting period.

In all, an estimated **1,052,716** performance shares may vest, as follows:

- For eligible Group employees in France, Spain and Italy, the vesting period will end on March 29, 2012 and the shares will be delivered on March 30, 2012. After taking into account turnover assumptions (grantee resignations) in each of these three countries, the potential number of shares to be delivered on March 30, 2102 if the performance criterion is met is estimated at 383,257. The vesting period will be followed by a two-year lock-up, such that the shares may not be sold until March 31, 2014 except in the case of the grantee's death or disability.
- For eligible Group employees in all other countries, the vesting period will end on March 30, 2014 and the shares will be delivered on March 31, 2014. After taking into account turnover assumptions (grantee resignations) in each of these countries, the potential number of shares to be delivered on March 31, 2014 if the performance criterion is met is estimated at 669,459. No lock-up period will apply.
- The Board also decided to set up a combined stock option/performance share plan for certain eligible managers and senior executives in France and abroad. Information about the stock option plan is provided in Note 9.4.

For the performance share plan, the eligibility criterion is based on the grantee's period of service with the Group. The performance shares will vest if the Group's return on capital employed (ROCE) for 2010 and 2011 exceeds a certain level. If the ROCE target is met in only one of the two years, only half of the performance shares will vest. The total number of performance shares will vest only if the ROCE target is met in both years.

In all, an estimated **622,790** performance shares may vest, as follows:

- For eligible Group employees in France, the vesting period will end on March 29, 2012 and the shares will be delivered on March 30, 2012. The potential number of shares to be delivered on March 30, 2012 if the performance criterion is met is estimated at 260,400. The vesting period will be followed by a two-year lock-up, such that the shares may not be sold until March 31, 2014 except in the case of the grantee's death or disability.

- For eligible Group employees in all other countries, the vesting period will end on March 30, 2014 and the shares will be delivered on March 31, 2014. The potential number of shares to be delivered on March 31, 2014 if the performance criterion is met is estimated at 362,390. No lock-up period will apply.

9.6 Compagnie de Saint-Gobain Group Savings Plan (PEG)

The PEG Group Savings Plan is an employee stock purchase plan open to all Group employees in France and in most other countries where the Group does business. Eligible employees must have completed at least three months' service with the Group. The share purchase price, as set by the Chief Executive Officer on behalf of the Board of Directors, corresponds to the average of the opening share prices quoted over the 20 trading days preceding the pricing date less a discount of 20%, or 15% for the leveraged plans established in 2007 and 2008.

The shares are subject to a five or ten-year lock-up, at the choice of employees, or a five-year lock-up in the case of the leveraged plan. During the lock up period shares may not be sold except in the case of exceptional events.

In 2009, 8,498,377 shares with a par value of €4 were issued to employees under the Group Savings Plan at an average price of €15.80 (2008: 8,272,947 shares at an average price of €42.72).

9.7 Potential number of shares

At the Annual General Meeting of June 4, 2009, shareholders authorized the Board of Directors of Compagnie de Saint-Gobain to:

- Issue, on one or several occasions, up to 195 million new shares with or without pre-emptive or priority subscription rights for existing shareholders (thirteenth to seventeenth resolutions/ 26-month authorization commencing June 4, 2009).
- Issue, on one or several occasions, up to 23.75 million new shares to members of the Group Savings Plan (eighteenth resolution/26-month authorization commencing June 4, 2009).
- Grant stock options exercisable for shares representing up to 3% of capital stock on the Meeting date, i.e. 14,972,627 options exercisable for the same number of shares (nineteenth resolution/38-month authorization commencing June 4, 2009). In the twentieth resolution, the Board was authorized to make performance share grants representing up to 1% of the capital stock on the Meeting date, i.e. grants of 4,990,875 shares. If this authorization were to be used, the performance shares would be deducted from the shares available for the stock option plan.

The Board of Directors used this authorization on November 19, 2009 to grant:

- 1,479,460 stock options (see Note 9.4)
- 1,675,506 performance shares (see Note 9.5).

After taking into account these grants, the Board of Directors may grant a further 11,817,661 potential shares (of which 3,315,369 performance shares).

If all outstanding stock options were to be exercised and all outstanding performance shares were to vest, this would potentially have the effect of increasing the number of shares outstanding to 539,184,174. In addition, if the authorizations described above were to be used in full, this would potentially have the effect of increasing the number of shares outstanding to 769,751,835.

At the Annual General Meeting of June 4, 2009, the Board of Directors was authorized to issue stock warrants in the event of a public tender offer for the Company's shares, in accordance with the French Act of March 31, 2006 on takeover bids (twenty-second resolution). Under this authorization, the Group may issue up to €490 million worth of stock (excluding premiums), representing 122,500,000 shares.

NOTE 10 Other equity

Non voting participating securities

In the 1980s, Compagnie de Saint-Gobain issued 1,288,299 non-voting participating securities indexed to the average bond rate (TMO) and 194,633 non-voting participating securities indexed to Euribor (with a floor rate). These securities are not redeemable and the remuneration paid to investors is qualified as interest expense.

Some of these securities have been bought back on the market. At December 31, 2009, 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 1.25 times the TMO. Interest on the 77,516 Euribor-indexed securities is payable at a fixed rate of 7.5% on 60% of the securities' face value and at a variable rate on the remaining 40%. The variable rate is based on the prior year's consolidated net income and is subject to a cap and a floor.

Net interest paid on participating securities for 2009 came to €10.1 million (2008: €10.5 million).

NOTE 11 Provisions

(in EUR thousands)	At January 1, 2009	Charge for the year	Write-backs of utilized provisions	Write-backs of surplus provisions	Other (transfers)	At December 31, 2009
Untaxed provisions						
Reinvested capital gains	6,427					6,427
Other	12	2,430				2,442
	6,439	**2,430**	**–**	**–**	**–**	**8,869**
Provisions for contingencies						
Provisions for taxes	81,503	30,643	(25,430)		11,586	98,302
Provisions for stock options	–					–
Provisions for other contingencies	2,545	178	(27)		(39)	2,657
	84,048	**30,821**	**(25,457)**	**–**	**11,547**	**100,959**
Provisions for charges						
Provisions for pensions and other post-employment benefit obligations [1]	67,001	14,974	(9,154)			72,821
Other provisions for charges	433	70	(39)			464
	67,434	**15,044**	**(9,193)**	**–**	**–**	**73,285**
Provisions for impairment						
Investments in subsidiaries and affiliates	639		(8)			631
Other investment securities	66,494	13,725	(2,784)	(18,004)		59,431
Doubtful receivables	–					–
Marketable securities	–					–
	67,133	**13,725**	**(2,792)**	**(18,004)**	**–**	**60,062**
Impact on operating income		**14,982**	**(9,193)**			
Impact on net financial income		**13,725**	**(2,792)**	**(18,004)**		
Impact on exceptional items		**33,313**	**(25,457)**			

(1) The Company'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 employees' vested rights at the measurement date.
Actuarial gains and losses arising in the year under defined benefit plans are recognized immediately in the income statement.
The discount rate used was 5.00% in 2009 and 6.25% in 2008.

NOTE 12 Debt and payables

Total debt and payables decreased by a net amount of €471 million to €15,443 million at December 31, 2009. Bank borrowings were reduced by €2,070 million, bond debt increased by €2,052 million and other borrowings decreased by €393 million, while tax and social charges payable and other payables were €60 million lower.

Maturities of debt and payables

(in EUR thousands)	Total	Due Within 1 year	Due Beyond 1 year
Bonds [1]	8,310,977	602,857	7,708,120
Bank borrowings [1] and [2]	222,188	67,188	155,000
Other borrowings [1] and [3]	6,781,213	5,883,140	898,073
Sub-total Debt	**15,314,378**	**6,553,185**	**8,761,193**
Tax and social charges payable	93,213	93,213	–
Other payables [3]	34,970	32,225	2,745
Deferred income	–	–	–
Total payables [4]	**15,442,561**	**6,678,623**	**8,763,938**
(1) New debt for the year Debt repaid during the year	4,954,293 5,365,085		
(2) Of which: – Debt with original maturity of up to two years – Debt with original maturity of more than two years	 67,188 155,000		
(3) Of which: - Shareholders' loans - New loans from subsidiaries – Loans from subsidiaries repaid during the year	 None 826,483 986,250		
(4) Of which debt due beyond 5 years	2,858,847		

Analysis of long- and short-term debt

(in EUR thousands)	2009	2008
Medium and long-term debt		
Long-term portion		
Due between January 1 and December 31		
- 2010	–	3,467,619
- 2011	1,520,000	1,100,000
- 2012	1,250,000	1,250,000
- 2013 and beyond	5,957,946	3,962,268
No fixed maturity	33,247	33,287
"Total long- and medium-term debt excluding short-term portion"	**8,761,193**	**9,813,174**
Short-term portion	**2,098,274**	**1,225,367**
Total	**10,859,467**	**11,038,541**
Short-term debt		
Euro commercial paper (in EUR)	–	690,000
Borrowings from Group entities	4,382,168	3,903,799
Bank overdrafts and other short-term borrowings	66,053	83,489
Other	6,690	9,341
Total	**4,454,911**	**4,686,629**
TOTAL LONG- AND SHORT-TERM DEBT	**15,314,378**	**15,725,170**

Long-term debt can be analyzed as follows by currency:

(in EUR thousands)	2009	2008
Euro	10,142,576	10,368,122
US dollars	–	–
Pounds sterling	678,932	633,028
Czech koruna	37,959	37,391
Total	**10,859,467**	**11,038,541**

Debt issuance costs are amortized over the life of the debt, from the issue date. These costs are recorded in assets, under "Deferred charges", as follows:

(in EUR thousands)	2009	2008
Deferred charges	52,098	26,410

In 2009, new debt issuance costs recorded under "Deferred charges" totaled €45 million and amortization for the year amounted to €19 million.

12.1 Perpetual bonds

In 1985, Compagnie de Saint-Gobain issued €125 million worth of perpetual bonds – 25,000 bonds with a face value of €5,000 – paying interest at a variable rate indexed to Euribor. These securities are not redeemable and the remuneration paid to investors is qualified as interest expense.

At December 31, 2009, 18,496 perpetual bonds had been bought back and canceled, and 6,504 perpetual bonds were outstanding, representing a total face value of €33 million.

12.2 Main changes in long- and short-term debt in 2009

In 2009, Compagnie de Saint-Gobain carried out the following bond issues:

- On January 26: €1 billion issue due July 28, 2014
- On May 20: €750 million issue due May 20, 2013
- On June 29: €200 million issue (private placement notes) due June 29, 2017

During 2009, Compagnie de Saint-Gobain redeemed at maturity €1 billion worth of bonds held by Saint-Gobain Nederland, for a net amount of €986.2 million.

12.3 Financing programs

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

At December 31, 2009, issuance under these programs was as follows:

Programs (in millions of currency units)	Currency	Issue period	Authorized program at December 31, 2009	Outstanding issues at December 31, 2009	Outstanding issues at December 31, 2008
Medium Term Notes	EUR	1 to 30 years	10,000 million	6,120	3,917
US Commercial Paper	USD	Up to 12 months	1,000 million*	–	–
Euro Commercial Paper	USD	Up to 12 months	1,000 million*	–	–
Billets de Trésorerie	EUR	Up to 12 months	3,000 million	–	690

* Equivalent to €694,2 million based on the exchange rate at December 31, 2009.

In accordance with market practices, *"Billets de Trésorerie"*, Euro Commercial Paper and US Commercial Paper are generally issued with maturities of one to six months.

Syndicated and bilateral lines of credit

Compagnie de Saint-Gobain's US Commercial Paper, Euro Commercial Paper and *"Billets de Trésorerie"* programs are backed by a €2 billion confirmed syndicated line of credit expiring in November 2011 that is not subject to any covenants based on financial ratios.

On June 15, 2009, Compagnie de Saint-Gobain obtained a €2.5 billion syndicated line of credit expiring in June 2012. This facility represents a secure source of financing for the Group and will also provide additional backing for its short-term financing programs.

The facility agreement includes a covenant stipulating that the Group's net debt/EBITDA ratio, as measured annually at December 31, must at all times represent less than 3.75. Saint-Gobain complied with this covenant at December 31, 2009.

Neither of these confirmed lines of credit was drawn down at December 31, 2009.

The other confirmed lines of credit held by the Group at December 31, 2008 were canceled during 2009, as follows:

- Outstanding balance on the €9 billion syndicated loan obtained in 2005 to finance the BPB acquisition.
- Outstanding balance on the €2,125 million syndicated credit facility obtained in October 2007 primarily to finance the Maxit acquisition.
- Seven bilateral lines of credit for a total of €680 million.

NOTE 13 Related party transactions

(in EUR thousands)	Net amount concerning Related companies [1]	Other Investees [2]	Other companies	Net balance sheet amount
Investments in subsidiaries and affiliates	12,368,583	265		12,368,848
Loans and advances to subsidiaries and affiliates	11,678,378			11,678,378
Other investment securities	124,461		212	124,673
Loans	669,886		9,554	679,440
Other receivables	2,243,438	2,739	74,789	2,320,966
Marketable securities	9,617		2,138,148	2,147,765
Cash and cash equivalents			172,214	172,214
Bonds			8,310,977	8,310,977
Bank borrowings			222,188	222,188
Other borrowings	6,734,436		46,777	6,781,213
Tax and social charges payable	58,561		34,652	93,213
Other payables	9,853		25,117	34,970
Income from investments in subsidiaries and affiliates	755,623		(68)	755,555
Income from loans and other investments	738,854			738,854
Other interest income	8,810		103,607	112,417
Interest expense	150,670	25	589,857	740,552

(1) Fully consolidated companies.
(2) Companies that are not fully consolidated.

NOTE 14 Investment portfolio

(in EUR thousands)	Country	Net book value	% interest	Number of shares
Spafi	France	5,329,623	100.00	236,864,161
Partidis	France	2,065,919	100.00	78,262,892
Saint-Gobain Matériaux de Construction	France	1,723,712	100.00	85,916,100
Vertec	France	891,039	100.00	11,775,479
Saint-Gobain Benelux	Belgium	812,344	100.00	3,296,475
Saint-Gobain do Brasil	Brazil	220,001	58.55	76,652,170
Saint-Gobain Cristaleria	Spain	211,220	16.35	3,659,866
Saint-Gobain Building Distribution Deutschland	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	153,791	99.91	3,196,976
Saint-Gobain Vetrotex Deutschland GmbH	Germany	153,669	100.00	45,000,000
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 Vidros SA	Brazil	67,181	99.96	209,374,623
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 PAM	France	30,733	8.10	360,255
Saint-Gobain Nederland	Netherlands	13,621	100.00	66,100
SCI Ile de France	France	3,428	-	-
Miscellaneous French companies		471	-	-
Miscellaneous foreign companies		1,100	-	-
Investments in subsidiaries and affiliates		**12,368,848**		
Cie de Saint-Gobain (treasury stock)	France	124,460	0.77	3,948,609
Miscellaneous French companies		213	-	-
Other investment securities		**124,673**		
TOTAL		**12,493,521**		

NOTE 15 Information about direct investments in subsidiaries and affiliates with a carrying amount representing over 1% of the Company's capital stock

Companies *(in thousands of euros or local currency)*	Capital stock	Reserves	% interest	Book value of shares held Gross *(EUR k)*	Book value of shares held Net *(EUR k)*	Loans and advances granted by the Company *(EUR k)*	Guarantees given by the Company *(EUR k)*	2009 net sales	2009 net income (loss)	Dividends received in 2009 *(EUR k)*
1 - SUBSIDIARIES At least 50%-owned by Compagnie de Saint-Gobain										(1)
Spafi 18, avenue d'Alsace 92400 Courbevoie	EUR k 2,842,370	EUR k 2,887,658	100.00	5,329,623	5,329,623	-		EUR k -	EUR k 138,887	139,548
Partidis 18, avenue d'Alsace 92400 Courbevoie	EUR k 1,193,509	EUR k 845,111	100.00	2,065,919	2,065,919	1,357,473		EUR k 8,663	EUR k 125,136	127,177
Saint-Gobain Matériaux de Construction 18, avenue d'Alsace 92400 Courbevoie	EUR k 1,310,221	EUR k (229,453)	100.00	1,723,712	1,723,712	4,685,345		EUR k 23,094	EUR k (167,946)	–
Vertec 18, avenue d'Alsace 92400 Courbevoie	EUR k 188,408	EUR k 884,644	100.00	891,039	891,039	–		EUR k –	EUR k 156,730	220,007
Saint-Gobain Bénélux Boulevard de la Plaine,5 B,1050 Bruxelles	EUR k 812,345	EUR k 2,299	100.00	812,344	812,344	19,363		EUR k –	EUR k 18,798	14,605
Saint-Gobain Building Distrib Deutsch Hanauer Landstrasse,,150 D-60314 Frankfurt am Main	EUR k 100,000	EUR k 94,600	100.00	194,609	194,609	-		EUR k 1,189,950	EUR k (25,384)	(25,384)
Saint-Gobain Glass Bénélux SA Rue des Glaces Nationales,,169 B-5060 Sambreville	EUR k 70,900	EUR k 115,541	88.69	160,880	160,880	-		EUR k 90,660	EUR k (43,020)	–
Saint-Gobain Isover G+H AG 1 Burgermeister-Grünzweig Strasse D-67059 Ludwigshafen	EUR k 82,000	EUR k 11,291	99.91	153,791	153,791	-		EUR k 363,066	EUR k 175,068	175,069
Saint-Gobain Vetrotex Deutschland GmbH Bicheroux Strasse,61 D-52134 Herzogenrath	EUR k 23,008	EUR k 139,936	100.00	153,669	153,669	-		EUR k 16,214	EUR k (17,251)	(17,251)
Saint-Gobain Glass Deutschland GmbH Viktoria - Allee,3-5 D-52066 Aachen	EUR k 102,258	EUR k 35,889	60.00	87,197	86,660	-		EUR k 368,777	EUR k 17,747	20,645
Saint-Gobain Do Brasil 482, avenida Santa Marina Agua Branca 05036-903 São Paulo-SP (Brésil)	BRL k 1,309,074	BRL k 3,687	58.55	220,001	220,001	-		BRL k 1,813,328	BRL k 225,202	44,130
Saint-Gobain Autoglas GmbH Viktoria - Allee,3-5 D-52066 Aachen	EUR k 102,258	EUR k 19,130	60.00	72,833	72,833	-		EUR k -	EUR k (25,025)	(25,025)
Saint-Gobain Schleifmittel-Beteiligungen GmbH Viktoria - Allee,3-5 D-52066 Aachen	EUR k 10,226	EUR k 50,925	100.00	61,151	61,151	-		EUR k -	EUR k (10,895)	(10,895)

Companies *(in thousands of euros or local currency)*	Capital stock	Reserves	% interest	Book value of shares held Gross *(EUR k)*	Net *(EUR k)*	Loans and advances granted by the Company *(EUR k)*	Guarantees given by the Company *(EUR k)*	2009 net sales	2009 net income (loss)	Dividends received in 2009 *(EUR k)*
Saint-Gobain Vidros SA 482, avenida Santa Marina Agua Branca 05036-903 São Paulo-SP (Brésil)	BRL k 371,159	BRL k -	99.96	67,181	67,181	-		BRL k 466,066	BRL k 16,286	5,045
Jarvis Participacoes LTDA [2] 482, avenida Santa Marina Agua Branca 05036-903 São Paulo-SP (Brésil)	BRL k -	BRL k -	-	-	-	-		BRL k -	BRL k -	15,859
2 - AFFILIATES 10% to 50%-owned by Compagnie de Saint-Gobain										
Saint-Gobain Cristaleria Edificio Ederra Centro Azca Paseo de la Castellana,77 28046 Madrid	EUR k 134,512	EUR k 657,602	16.35	211,220	211,220	394,677		EUR k 429,013	EUR k 22,130	17,739
Saint-Gobain Emballage 18, avenue d'Alsace 92400 Courbevoie	EUR k 42,069	EUR k 420,246	20.52	61,553	61,553	30,221		EUR k 664,037	EUR k 154,198	34,571
SEPR 18, avenue d'Alsace 92400 Courbevoie	EUR k 63,361	EUR k 6,378	25.73	53,310	53,310	57,528		EUR k 194,872	EUR k 39,274	15,057
OTHER COMPANIES										
Subsidiaries (over 50%-owned)										
Total French companies				3,900	3,900	138,983				1,120
Total foreign companies				14,045	14,045	10,241	1,500,848			1,269
Affiliates (10% to 50%-owned)										
Total French companies										-
Total foreign companies				648	648					
Other investments				**31,119**	**30,972**	**902,935**				**2,269**
Own shares				**183,839**	**124,461**					
TOTAL				**12,553,583**	**12,493,521**	**7,596,766**	**1,500,848**			**755,555**

(1) The amount shown for subsidiaries of the German branch corresponds to 2009 profit or loss transferred under the group relief system.
(2) Jarvis Participacoes LTDA was merged into SG Do Brasil on June 30, 2009.

NOTE 16 Financial commitments excluding leases

Commitments given

(in EUR thousands)	Amount
Guarantees [1]	1,696,987
Other commitments given	
A. Commitment related to the fine levied on the Flat Glass business by the European Commission (see Note 20 Litigation § 20.2)	934,148
B. Commitments towards other members of "GIE" intercompany partnerships	6,338
Total	**2,637,473**
[1] Of which guarantees given on behalf of consolidated companies	1,500,848

Commitments received

(in EUR thousands)	Amount
Guarantees Retention money	71
Other commitments received Debt waivers with a clawback clause	3,720
Total	**3,791**
Of which: Commitments received from consolidated companies	3,720

Commitments relating to **currency hedging instruments** are as follows:

(in thousands of the currency concerned)		Amount
Equivalent in euros of forward purchases and sales of foreign currency	EUR	351,429
Purchased currency options	EUR	39,764
Written currency options	EUR	39,764
Currency swaps	EUR	2,283,760

Commitments relating to **interest rate hedging instruments** are as follows:

At December 31, 2009 *(Euro equivalent in thousands)*	Amount
Interest rate swaps (fixed rate borrower/variable rate lender)	1,250,000
Interest rate swaps (fixed rate lender/variable rate borrower)	560,000
Interest rate swaps (variable rate lender/variable rate borrower)	155,000
Greenhouse gas emission allowance swaps – sales of EUAs/purchases of CERs	–
Greenhouse gas emission allowance swaps – purchases of CERs/sales of EUAs	–
Commodity swaps - fixed price payer /variable price receiver	101,269
Commodity swaps - variable price payer /fixed price receiver	101,269

NOTE 17 Lease commitments

On December 18, 1996, Compagnie de Saint-Gobain entered into a 12-year finance lease on its head office building in La Défense (Les Miroirs), starting February 1, 1997.

(in EUR thousands)	Headquarters building
Cost at inception of the lease	80,798
Depreciation	
Accumulated depreciation at January 1, 2009	17,447
Depreciation for the year	1,464
Total	18,911
Lease payments	
Cumulative lease payments at January 1, 2009	109,625
Lease payment for the year	773
Total	110,398
Future minimum lease payments	
Due within one year	–
Due in one to five years	–
Due beyond 5 years	–
Total	–
Residual value	
Within one year	–
In one to five years	–
Beyond 5 years	–
Total	–

The purchase option was exercised at the end of the lease, on January 30, 2009, at a price equal to the residual value (Note 6).

NOTE 18 Fees paid to the Statutory Auditors

The total fees paid to the auditors in 2009, as reflected in the income statement, include:

- Statutory audit fees of €1,374 thousand
- Fees for audit-related advice and services of €298 thousand.

NOTE 19 Employees

Number of employees

	2009	2008
Paris Head Office (Les Miroirs)		
Managers	166	167
Supervisors	51	53
Administrative staff	7	8
Total	224	228
Of which employees under fixed-term contracts	12	2

	2009	2008
German branch (Aix la Chapelle)		
Managers	55	45
Supervisors	108	84
Administrative staff	1	1
Total	164	130
Of which employees under fixed-term contracts	12	4

Statutory training entitlement

Unused vested training entitlements under Act no. 2004.391 of March 4, 2004 relating to lifelong learning amounted to 17,487 hours at December 31, 2009, representing an estimated cost of €323 thousand.

Management compensation

Compensation received by the Group's directors and officers directly and indirectly from Group companies within and outside France totaled €10.2 million in 2009 (2008: €14.9 million), including variable bonuses of €2.6 million (2008: €5.4 million). No termination benefits were paid in 2009 (2008: €1.5 million).

Pensions and other post-employment benefits (defined benefit obligations in respect of retirement bonuses and annuities) accruing to the Group's directors and officers totaled €36.9 million at December 31, 2009.

Attendance fees paid to directors for 2009 totaled €0.8 million (2008: €0.8 million).

NOTE 20 Litigation

20.1 Asbestos-related litigation

The discussion below concerns asbestos-related litigation involving Group subsidiaries. The related costs and provisions are recorded in the accounts of the subsidiaries concerned.

Asbestos-related litigation in France

In France, further individual lawsuits were filed in 2009 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 704 such lawsuits have been issued against the two companies since 1997.

At December 31, 2009, 614 of these 704 lawsuits had been completed in terms of both liability and quantum. In all of these cases, the employers were held liable on the grounds of "inexcusable fault".

Everite and Saint-Gobain PAM were held liable to pay a total amount of less than €1.3 million in compensation in settlement of these lawsuits.

Concerning the 90 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2009, the merits of 22 have been decided but the compensation awards have not yet been made, pending issue of medical reports or Appeal Court rulings. In all these cases, the Social Security authorities were ordered to pay compensation for the victims for procedural reasons (non-opposability). A further 21 of these 90 lawsuits have been completed in terms of both liability and quantum but liability for the payment of compensation has not yet been assigned.

Of the 47 remaining lawsuits, at December 31, 2009 the procedures relating to the merits of 44 cases were at different stages, with 9 being investigated by the French Social Security authorities and 35 pending before the Social Security courts. The other three lawsuits are pending before the Court of Appeal for reasons not involving Everite and Saint-Gobain PAM.

In addition, as of December 31, 2009, 121 suits based on inexcusable fault had been filed by current or former employees of 12 other French companies in the Group (excluding Saint-Gobain Desjonquères and Saint-Gobain Vetrotex, which have been sold), in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.

At that date, 85 lawsuits had been completed. In 23 of these cases, the employer was held liable for inexcusable fault.

For the 36 suits outstanding at December 31, 2009, arguments were being prepared by the French Social Security authorities in five cases, 26 were being investigated – including 25 pending before the Social Security courts and one before the Court of Appeal – and five had been completed in terms of liability but not in terms of quantum, of which three pending before the Courts of Appeal and two before the Social Security courts.

Asbestos-related litigation in the United States

In the United States, several companies that once manufactured products containing asbestos such as asbestos-cement pipes, roofing products, specialized insulation or gaskets, are facing legal action from persons other than their employees or former employees. 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 that have been manufacturers, distributors, installers or users of products containing asbestos.

Developments in 2009

About 4,000 new claims were filed against CertainTeed in 2009, compared to about 5,000 in 2008, 6,000 in 2007, 7,000 in 2006 and 17,000 in 2005. This decline was felt over the last five years in most States, particularly in those that had seen the greatest numbers of claims in the previous years. It 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 of the pending claims were resolved in 2009, about the same number as were resolved in 2008 and in 2007, compared to 12,000 in 2006 and 20,000 in 2005. Taking into account the 68,000 outstanding claims at the end of 2008 and the new claims having arisen during the year, as well as claims settled or placed in inactive docket, some 64,000 claims were outstanding at December 31, 2009. A large number of these pending claims were filed more than five years ago by individuals without any significant asbestos-related impairment, and it is likely that many of them ultimately will be dismissed.

Impact on the Group's accounts

The Group recorded a €75 million charge in 2009 to cover future developments in relation to claims involving CertainTeed. This amount is identical to the amount recorded in 2008, and slightly lower than the €90 million recorded in 2007, the €95 million recorded in 2006 and the €100 million recorded in 2005.
At December 31, 2009, the Group reserve for asbestos-related claims against CertainTeed in the United States amount to €347 million, (USD 500 million), compared with €361 million, (USD 502 million) at December 31, 2008, €321 million (USD 473 million) at December 31, 2007, €342 million (USD 451 million) at December 31, 2006 and €358 million (USD 422 million) at December 31, 2005.

- **Cash flow impact**

Compensation paid in respect of these claims against CertainTeed, including claims settled prior to 2009 but only paid out in 2009, and those fully resolved and paid in 2009, and compensation paid (net of insurance) in 2009 by other Group businesses in connection with asbestos-related litigation, amounted to €55 million (USD 77 million), compared to €48 million (USD 71 million) in 2008, €53 million (USD 73 million) in 2007, €67 million (USD 84 million) in 2006 and €72 million (USD 89 million) in 2005. The increase of the total amount of the compensation paid in 2009 compared to the amount paid in 2008 is mainly due to the higher number of malignant claims among the resolved claims. This upward trend should continue in 2010.

Asbestos-related litigation in Brazil

In Brazil, former Group employees suffering from asbestos-related occupational illness are offered either exclusively financial compensation or lifetime medical assistance combined with financial compensation. Only a small number of asbestos-related lawsuits were outstanding at December 31, 2009, and they do not represent a material risk for the companies concerned.

20.2 Ruling by the European Commission following the investigation into the construction glass and automotive glass industries

In November 2007 and 2008, the European Commission issued its decisions concerning, respectively, the construction glass industry and the automotive glass industry.

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

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

The companies concerned believe the fine is excessive and disproportionate, and have appealed the decision before the Court of First Instance of the European Communities.

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

As a result of these developments, the €694 million provision set aside at December 31, 2007, which was reduced to €560 million at June 30, 2008 following payment of the €134 million fine, was increased to €960 million at December 31, 2008 to cover the €896 million fine, together with the cost of the bond and the estimated legal costs over the appeal period. At December 31, 2009, the provision was further increased to €991 million to cover the interest that had accrued since March 9, 2009. It is carried in the accounts of Saint-Gobain Sekurit France and Saint-Gobain Sekurit Deutschland Gmbh.

The appeal against the November 12, 2008 decision is currently pending before the Court of First Instance of the European Communities.

NOTE 21 Subsequent events

No material events have occurred since the balance sheet date.

STATUTORY AUDITORS' REPORT

ON THE FINANCIAL STATEMENTS

Year ended December 31, 2009

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the 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 balances, transactions, or disclosures.

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

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

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, 2009, 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 involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2009 and of the results of its operations for the year then ended in accordance with French accounting principles.

II - Justification of our assessments

Accounting estimates used for the preparation of the financial statements for the year ended December 31, 2009 have been made in the context of a sharp deterioration in the economic and financial environment which makes assessing the business outlook very difficult. Against this backdrop, and in accordance 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:

- **Value of financial investments and investments in subsidiaries and affiliates**

As described in Note 1 to the financial statements on 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, 2009 were reasonable.

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

III - Specific verifications and information

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency 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.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code *(Code de commerce)* relating to remuneration and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of shareholders has been properly disclosed in the management report.

Neuilly-sur-Seine and Paris La Défense, February 25, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG AUDIT
Department of KPMG S.A.

Rémi Didier   Jean-Christophe Georghiou

Jean Gatinaud   Jean-Paul Vellutini

MANAGEMENT REPORT

FINANCIAL STATEMENTS OF COMPAGNIE DE SAINT-GOBAIN*

Compagnie de Saint-Gobain ended 2009 with net income of €1,038.0 million (2008: €1,263.5 million), consisting mainly of dividends from subsidiaries and affiliates in the amount of €755.5 million (2008: €985.6 million).

Shareholders' equity before appropriation of income for the year totaled €13,802.9 million at December 31, 2009 (December 31, 2008: €11,325.3 million).

Significant events of the year

Share issues

- On March 23, the Company's capital stock was increased by €1.5 billion through a free allocation of stock warrants. In all, 108,017,212 shares were subscribed at a price of €14.
- On May 12, capital stock was increased by €134 million following the issue of 8,498,377 shares to employees at a price of €15.80 through the Group Savings Plan.
- On June 29, capital stock was increased by €314 million following the issue of 13,805,920 shares at a price of €22.83 to shareholders who exercised their dividend reinvestment option.

Financing programs

As part of the strategy to refinance and extend the average life of Group debt, during 2009 Compagnie de Saint-Gobain carried out the following bond issues:

- On January 26: €1 billion issue due July 28, 2014
- On May 20: €750 million 4-year issue
- On June 29: €200 million 8-year issue

Financial investments in subsidiaries

In 2009, Compagnie de Saint-Gobain injected €3.3 billion in capital into three wholly-owned direct subsidiaries, by underwriting share issues by SPAFI (€2,441 million), Vertec (€400 million) and SG Benelux (€412 million). These capital injections were part of a program to optimize the allocation of financial resources within the Group.

Other compulsory disclosures

Trade accounts payable at December 31, 2009 and 2008 by due date are as follows (disclosure made in application of Article D.441-4):

(in EUR thousands)	2009	2008
Total trade accounts payable	10,200	10,687
Of which past due amounts	*1,203*	*2,604*
Of which due in January and February	*8,992*	*7,655*
Of which due in March and beyond	*5*	*428*

Compagnie de Saint-Gobain pays supplier invoices on a timely basis. The only invoices not paid on time are disputed invoices for which a credit note is pending and invoices received late.

* Based on French GAAP – see the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

(in EUR thousands)	2009	2008	2007	2006	2005
1 - Capital stock at year-end					
Capital stock	2,051,724	1,530,288	1,496,865	1,473,679	1,381,025
Number of common shares outstanding	512,931,016	382,571,985	374,216,152	368,419,723	345,256,270
2 - Results of operations					
Net sales	171,655	199,301	191,669	180,586	172,680
Income before tax, depreciation, amortization and provisions	908,322	1,119,557	591,916	440,209	520,002
Income tax	150,254	160,471	260,296	149,994	55,945
Net income	1,038,013	1,263,527	871,150	849,187	525,130
Total dividend	(1) 508,665	(2) 486,009	(3) 766,732	(4) 621,062	(5) 459,483
3 - Earnings per share (in EUR)					
Earnings per share before tax, depreciation, amortization and provisions	1.77	2.93	1.58	1.19	1.51
Net earnings per share	2.02	3.30	2.33	2.30	1.52
Net dividend par share	1.00	1.00	2.05	1.70	1.36
4 - Employee information [6]					
Average number of employees during the year	224	228	232	236	238
Total payroll for the year	21,302	26,082	28,682	26,663	27,782
Total benefits for the year	13,569	16,081	16,258	15,339	15,306

(1) Based on 512,931,016 shares outstanding (capital stock at December 31, 2009) less 4,265,549 shares held in treasury at January 31, 2010.

(2) Based on 382,571,985 shares (capital stock at December 31, 2008) plus 108,017,212 shares issued on March 23, 2009 less 4,580,419 treasury shares held on the dividend payment date, i.e. 486,008,778 shares in total.

(3) Reflecting an €8,641 thousand uplift following the sale of 15,146 shares out of treasury stock between March 1 and June 19, 2008 (ex-dividend date) and the May 15, 2008 issue of 4,199,902 shares under the leveraged Group Savings Plan, with rights to the 2007 dividend.

(4) Reflecting a €3,800 thousand uplift following the sale of 792,657 shares out of treasury stock between March 1 and June 21, 2007 (ex-dividend date) and the May 15, 2007 issue of 1,442,584 shares under the leveraged Group Savings Plan, with rights to the 2006 dividend.

(5) Reflecting a €146 thousand adjustment for treasury stock transactions between March 1 and June 21, 2006 (ex-dividend date) (purchase of 1,105,000 shares and sale of 997,310 shares).

(6) Employee numbers only include staff at the Company's head office and exclude the German branch.

MAIN SUBSIDIARIES, BY COUNTRY AND DELEGATION

All of the subsidiaries are wholly owned, unless otherwise stated

FRANCE

Saint-Gobain Glass France: flat glass and flat glass products. Sales: €225.3 million. Employees: 1,075. These figures include Eurofloat, a float glass plant. Subsidiaries:

- Saint-Gobain Produits Industriels (SGPI), M.O. Pays de Loire, Comptoir Général des Glaces et Produits Verriers (C.G.G.), 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: construction glass products manufacturing and distribution.
Employees of the subsidiaries: 3,082.
- Eurokera (50%). Employees: 140. Keraglass (50%). Employees: 101. Glass ceramic hobs.
- Saint-Gobain Sovis: tempered glass for household appliances, industrial and scientific optics, anti-radiation glass. Employees: 113.
- Verrerie de Saint-Just: decorative glass. Employees: 43.
- Saint-Gobain Sully: flat glass for the railcar and aircraft industries. Employees: 500.
- Saint-Gobain Glass Logistics: transport.
- Saint-Gobain Recherche (34.5%): glass and building materials research center. Employees: 416.
- Samin: quarry operator. Employees: 132.
- Saint-Gobain Autover France: replacement glass. Sales €26.2 million. Employees: 83.

Saint-Gobain Sekurit France: automotive glass products. Sales: €183.1 million. Employees: 857. These figures include Société Verrière d'Encapsulation: encapsulated automotive glass. Subsidiary: Saint-Gobain Autover: automotive glass products manufacturing and distribution.

SEPR - Société Européenne des Produits Réfractaires: fused-cast refractory products used mainly for glass furnaces and various special ceramic products (pellets, grains and powders). Sales: €164 million. Employees: 877. Subsidiaries:

- Savoie Réfractaires: special refractories. Sales: €34.1 million. Employees: 182.
- Saint-Gobain Cristaux et Détecteurs: optical crystals and artificial monocrystals for chemical analyses. Sales: €19.6 million. Employees: 149.
- Saint-Gobain Quartz SAS: 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: €13.6 million. Employees: 101.
- Saint-Gobain Matériaux Céramiques: seeded gel abrasives.
- Saint-Gobain Centre de Recherche et d'Etudes Européennes: European ceramics research center. Employees: 222.
- Valoref SA: recycling.
- Saint-Gobain Solcera: fine ceramics for industrial use. Sales: €11.9 million. Employees: 99.

Saint-Gobain Performance Plastics Europe: holding company. Subsidiaries: Saint-Gobain Performance Plastics España, Saint-Gobain Performance Plastics France: manufacture and sale of high-performance plastics. Employees: 369.

Saint-Gobain Abrasifs (France): bonded abrasives, grinding wheels and superabrasives. Sales: €125.9 million. Employees: 692.

Saint-Gobain Isover: glass wool and rock wool insulation products. Sales: €314 million. Employees: 891. Subsidiaries:

- Saint-Gobain Eurocoustic: rock wool insulation products. Sales: €59.8 million. Employees: 180.
- Saint-Gobain Ecophon SA: acoustic ceilings. Sales : €17.0 million. Employees: 25.
- Plafométal: metal ceilings. Sales: €29.5 million. Employees: 104.

Placoplatre: plaster, plasterboard, insulation products and ceiling tiles. Sales: €572.2 million. Employees: 1,722.

Saint-Gobain Matériaux de Construction: holding company. Subsidiary: Saint-Gobain Weber: industrial mortars, with operations in 41 countries. Sales: €1,786.9 million. Employees: 8,019. These figures include the Weber and Maxit subsidiaries, except in Brazil, Bulgaria and Turkey.

Saint-Gobain PAM: ductile cast-iron pipes and hydraulic connectors for water-supply, irrigation and sewer networks; cast-iron products for the building industry. Sales: €938.1 million. Employees: 2,858. Subsidiary: Saint-Gobain Seva: industrial equipment, glass molds, fiberglass insulating plates, door fasteners. Sales: €38.8 million. Employees: 345.

Partidis: building materials distribution. Sales: €8.4 billion. Employees: 34,947. Subsidiaries:

- Point.P - France, Spain, Belgium. Building materials distribution through: - 12 regional companies (Brittany, Central France, Eastern France, Paris region, Loire region, Languedoc Midi-Pyrénées, Northern France, Normandy, Provence-Alpes-Côte d'Azur, Rhône-Alpes, South-West France, Belgium); - 6 national companies (DSC, DAI, Asturienne, DMBP, PUM Plastiques, DMTP) ; - La Plateforme du Bâtiment (42 in France, 17 in Spain and 3 in Italy) ; - 1,818 sales outlets (over 1,722 in France, 82 in Spain, 11 in Belgium, 3 in Portugal).
- Lapeyre: distribution of home improvement products under the following banners: Lapeyre-La Maison, Distrilap, K par K, Gimm, Cougnaud, Cordier, Lagrange, Poreaux, Pastural, Technifen (France), Contrumega-Megacenter (Brazil).
- Aquamondo France: bathroom stores.

Saint-Gobain Emballage: glass containers (bottles and industrial jars). Sales: €659.6 million. Employees: 1,899. Subsidiaries:

- VOA Verrerie d'Albi: glass containers (bottles). Sales: €87.3 million. Employees: 290.
- Saga Décor: decoration of bottles and jars. Sales : €18.7 million. Employees: 149.

Spafi: holding company.

Vertec: holding company.

CENTRAL AND NORTHERN EUROPE

Germany

Saint-Gobain Glass Deutschland GmbH: flat glass and flat glass products. Sales: €372.2 million. Employees: 967.

Saint-Gobain Deutsche Glas GmbH: holding company controlling various companies active in construction glass products manufacturing and distribution. Sales (including subsidiaries): €278.3 million.
Employees (including subsidiaries): 1,622.

Saint-Gobain Sekurit Deutschland Beteiligungen GmbH: management company for Saint-Gobain Sekurit Deutschland KG and other equity interests. Subsidiaries:

- Autoglas Hansa. Subsidiaries: Renz Autoglas GmbH, Saint-Gobain Autover Deutschland GmbH, Freudenberger Autoglas KG.
- Faba Autoglas Technik GmbH: automotive glass products.

Saint-Gobain Sekurit Deutschland KG: automotive glass. Sales: €236.7 million. Employees: 1,488. These figures include Faba Autoglas Technik Kg: laminated and tempered glass extrusion.

SG Autover Deutschland: replacement glass. Sales: €59.4 million. Employees: 175.

SEPR Keramik GmbH & CO KG: holding company. Subsidiaries:

- Norton Beteiligungs: holding company. Subsidiaries: Saint-Gobain Performance Plastics Pampus GmbH: high-performance plastics for the medical and automobile industries; industrial equipment. Sales: €48.3 million. Employees: 315; Saint-Gobain Advanced Ceramics Lauf GmbH: advanced ceramics. Sales: €15.8 million. Employees: 183. Saint-Gobain Performance Plastics Isofluor GmbH: fluoropolymer pipes. Sales: €7.3 million. Employees: 95.
- Saint-Gobain IndustrieKeramik Düsseldorf: refractory products. Sales: €23.5 million. Employees: 91.
- Saint-Gobain Advanced Ceramics Mönchengladbach: advanced ceramics. Sales: €8.7 million. Employees: 71.
- Saint-Gobain IndustrieKeramik Roedental: high-performance refractory products. Sales: €77 million. Employees: 694.
- Saint-Gobain Performance Plastics Cologne. Sales : €7.1 million. Employees: 19.

Saint-Gobain Schleifmittel GmbH: Subsidiaries:

- Saint-Gobain Diamantwerkzeuge KG: industrial superabrasives. Sales: €33.9 million. Employees: 438.
- Saint-Gobain Abrasives GmbH: grinding wheels and superabrasives. Sales: €63.7 million. Employees: 369.

Saint-Gobain Vetrotex Deutschland GmbH: fiberglass reinforcements. Sales: €16.2 million. Employees: 80.

Saint-Gobain Isover G+H AG: mineral fibers and foams for thermal and acoustic insulation and fireproofing. Sales: €363 million. Employees: 1,272. These figures include Superglass Dammstoffe GmbH: insulating materials distribution.

Rigips GmbH: plaster, plasterboard, insulation products and ceiling tiles. Sales: €242.3 million. Employees: 782.

Halbergerhütte GmbH: holding company. Subsidiary: Saint-Gobain HES GmbH: ductile cast-iron pipes. Sales: €29.2 million. Employees: 35.

Saint-Gobain PAM Deutschland GmbH and Co. Kg: pipe systems for the building industry. Sales: €155.4 million. Employees: 392.

Saint-Gobain Building Distribution Deutschland GmbH: building materials distribution (257 outlets). Sales: €1.75 billion. Employees: 5,483.

Schäfer: roofing materials distribution.

Saint-Gobain Oberland AG (96.7%): listed on the Frankfurt, Munich and Stuttgart Stock Exchanges. Glass containers (bottles and industrial jars). Sales: €389.1 million. Employees: 1,411. These figures include Westerwald Silikatindustrie, Ruhrglas and Süeddeutsche Altglas GmbH. Subsidiary: GPS Glas Produktions Service: machines for the glass containers industry. Sales: €17.9 million. Employees: 74.

Austria

Eckelt Glas GmbH: flat glass products. Sales: €45.5 million. Employees: 285.

Glas Ziegler. Sales : €21.5 million. Employees : 116.

Saint-Gobain Isover Austria AG: insulating materials. Sales: €49.2 million. Employees: 176.

Saint-Gobain Hornstein Glastextil GmbH: paintable glass fabrics. Sales: €15.5 million. Employees: 70.

Rigips Austria GmbH: plaster, plasterboard, insulation products and ceiling tiles. Sales: €66.4 million. Employees: 254.

Belgium

Saint-Gobain Glass Benelux SA: flat glass and flat glass products. Sales: €91 million. Employees: 327. These figures include Saint-Gobain Glass Coating. Subsidiaries: Hanin Miroiterie, Techniver, Veiligheidsglas CGG NV, Saint-Gobain Glass Solutions Belgium (subsidiaries: Boermans Glasindustrie NV, Burniat Glass, Glorieux NV). Employees of subsidiaries: 503.

Saint-Gobain Glass Exprover: flat glass exports.

Saint-Gobain Sekurit Benelux SA: automotive glass products. Sales: €53.5 million. Employees: 255. Subsidiary: Saint-Gobain Autover Distribution SA. Employees: 99.

Saint-Gobain Autover: replacement glass. Sales: €8.3 million. Employees: 18.

Saint-Gobain Abrasives NV. Sales: €8.2 million. Employees: 22.

Saint-Gobain Matériaux Céramiques Benelux SA: silicon carbide and corundum for the refractory and abrasives industries. Sales: €21.2 million. Employees: 28.

Saint-Gobain Performance Plastics Chaineux SA and Saint-Gobain Performance Plastics Kontich NV: high-performance plastics. Sales : €34.5 million. Employees: 195.

BPB Belgium NV: plaster, plasterboard and insulation products. Sales: €127 million. Employees: 213.

Saint-Gobain Pipe Systems Belgium: Sales: €31.6 million. Employees: 29.

Luxembourg

Saint-Gobain Abrasives SA (Luxembourg): diamond-tipped tools, disks and drills, asphalt cutters for the construction and civil engineering industries. Sales: €29 million. Employees: 119.

Netherlands

Sas Van Gent Glasfabriek BV: reflective glass, enameled glass and tempered glass. Sales: €19.3 million. Employees: 100.

Koninklijke Saint-Gobain Glass NV: construction glass products manufacturing and distribution. Sales: €127.8 million. Employees (including subsidiaries): 565.

Saint-Gobain Autover International BV: distribution of replacement automotive glass. Sales: €23.8 million. Employees: 31.

Saint-Gobain Abrasives Nederland: holding company. Subsidiary: Saint-Gobain Abrasives BV: thin grinding wheels and bonded abrasives. Sales: €72.7 million. Employees: 263.

Saint-Gobain Isover Benelux: plaster, plasterboard and insulation products. Sales: €145.8 million. Employees: 356.

Saint-Gobain Isover Reinforcement Glass Mat. Sales: €20.5 million. Employees : 73.

Saint-Gobain Ecophon BV: acoustic ceilings. Employees: 25.

Saint-Gobain Cultilène BV: glass wool and rock wool products for hydroponic (soil-less) cultivation. Sales: €26.8 million. Employees: 45.

Saint-Gobain The Netherlands BV: building materials distribution (51 outlets). Sales: €417.8 million. Employees: 1,166.

Galvano Groothandel BV: plumbing and heating supplies distribution. Sales: €70.8 million. Employees: 148.

Van Keulen: interior solutions and fitted kitchens. Sales: €25.2 million. Employees: 91.

Internationale Maatschappij Voor Het Beheer van Glasmaatschappijen BV (SGT): holding company.

Saint-Gobain Nederland: finance company.

Czech Republic

€1 = CZK 26.452

Saint-Gobain Sekurit CR Spol S.R.O.: laminated glass for the auto industry. Sales: CZK 1.13 billion. Employees: 393.

Izolas S.R.O.: construction glass products manufacturing and distribution. Sales: CZK 314.3 million. Employees: 116.

Saint-Gobain Vertex S.R.O: Sales: CZK 4.13 billion. Employees (including subsidiaries): 1,312.

Saint-Gobain Advanced Ceramics S.R.O.: Sales: CZK 153.3 million. Employees: 217.

Saint-Gobain Abrasives: abrasives distribution. Employees: 29.

Rigips CZ: plaster, plasterboard, insulation products and ceiling tiles. Sales: CZK 1.1 billion. Employees: 225.

Saint-Gobain Orsil: rock wool insulating materials. Sales: CZK 1.4 billion. Employees: 265.

Saint-Gobain PAM Tchèquie S.R.O.: foundry. Sales: CZK 719.2 million. Employees: 138

Saint-Gobain Building Distribution CZ, AS: building materials distribution (51 outlets). Sales: CZK 2.96 billion. Employees: 616.

W.A.W. - Spol. S.R.O.: tile and bathroom fittings distribution (11 outlets). Sales: CZK 701.6 million. Employees: 193.

Hungary

€1 = HUF 280.483

Saint-Gobain Distribution Material Hungary: building materials distribution (28 outlets). Sales: HUF 14.6 billion. Employees: 336.

SGCP Hungaria: plaster, plastboard and insulation products. Sales: HUF 8.2 billion. Employees: 124.

Slovakia

€1 = SKK 30.126

Nitrasklo A.S and Venisklo Spol S.R.O.: construction glass products manufacturing and distribution. Sales: SKK 403.6 million. Employees: 133.

Saint-Gobain Construction Products Slovakia: plaster, plasterboard, insulation products and ceiling tiles. Sales: SKK 943.6 million. Employees: 123.

W.A.W. - Spol. S.R.O.: tile and bathroom fittings distribution (12 outlets). Sales: SKK 296.2 million. Employees: 94.

Denmark

€1 = DKK 7.446

Saint-Gobain Glass Nordic A/S: insulating and tempered glass. Sales: DKK 280 million. Employees: 245.

Saint-Gobain Isover A/S: insulation products. Sales: DKK 374.7 million. Employees: 208.

Saint-Gobain Ecophon Production A/S: acoustic products. Sales: DKK 95.6 million. Employees: 22.

Gyproc A/S: plasterboard and ceiling tiles. Sales: DKK 295.5 million. Employees: 146.

Optimera Danmark A/S: building materials distribution (19 outlets). Sales: DKK 1.21 billion. Employees: 482.

Finland

Saint-Gobain Sekurit Finland Oy: automotive glass products. Sales: €13.9 million. Employees: 91.

Saint-Gobain Autover Finland Oy: replacement glass. Employees: 14.

Finnglass Oy and Verinvest Oy: construction glass products manufacturing and distribution. Employees: 36.

Saint-Gobain Construction Products Finland: plaster, insulation products, acoustic products. Sales: €103.7 million. Employees: 400.

Saint-Gobain Pipe Systems Oy: pipe systems. Sales: €30.2 million. Employees: 32.

Norway

€1 = NOK 8.731

Brodrene Böckmann A/S: insulating glass. Sales: NOK 520.4 million. Employees: 371.

Saint-Gobain Autover Bilglas A/S: replacement glass. Sales: NOK 119.2 million. Employees: 65.

Saint-Gobain Ceramic Materials A/S: silicon carbide products. Sales: NOK 469.6 million. Employees: 243.

Optimera A/S: building materials distribution (77 outlets). Sales: NOK 4.95 billion. Employees: 2,150.

Gyproc A/S: plaster and plasterboard. Sales: NOK 227.3 million. Employees: 70.

Saint-Gobain Vann Avlop: pipe distribution. Sales: NOK 105.1 million. Employees: 8.

Sweden

€1 = SEK 10.620

Emmaboda Glas AB: insulating and tempered glass. Sales: SEK 408.2 million. Employees: 196.

Saint-Gobain Sekurit Scandinavia AB: tempered and laminated automotive glass. Sales: SEK 401.7 million. Employees: 133.

Saint-Gobain Autover Direktglas AB: replacement glass. Sales: SEK 171 million. Employees: 61.

Saint-Gobain Abrasives AB: abrasives. Sales: SEK 133.2 million. Employees: 30.

Saint-Gobain Advanced Ceramics AB: Employees: 24.

Gyproc AB: plaster and plasterboard. Sales: SEK 382.6 million. Employees: 103.

Scanpac: plaster and plasterboard. Sales: SEK 216 million. Employees: 48.

Saint-Gobain Isover AB: insulation products. Sales: SEK 860 million. Employees: 364.

Saint-Gobain Ecophon AB: acoustic ceilings. Sales: SEK 1.17 billion. Employees: 388.

Saint-Gobain Distribution Nordic AB: plumbing and heating supplies distribution under the Dahl banner in Sweden, Norway, Denmark, Finland, Poland, Romania and Estonia (322 outlets) Sales: SEK 21.2 billion. Employees: 4,369.

Optimera Svenska AB: building materials distribution (32 outlets). Sales: SEK 2.09 billion. Employees: 744.

Estonia

€1 = 15.647 EEK

Saint-Gobain Sekurit Eesti A/S: replacement windscreens. Sales: EEK 468 million. Employees: 180.

AS Baltiklaas: construction glass products manufacturing and distribution. Sales: EEK 254.2 million. Employees: 117.

Saint-Gobain Ehitustooted Eesti A/S: insulation products and plasterboard. Sales: EEK 158.8 million. Employees: 18.

Optimera Estonia: building materials distribution (16 outlets). Sales: EEK 919.2 million. Employees: 477.

Latvia

€1 = LVL 0.706

SIA-Saint-Gobain Isover: insulation products distribution. Employees: 16.

Lithuania

€1 = LTL 3.453

Saint-Gobain Autover Lietuva: replacement glass. Employees: 15.

UAB Saint-Gobain Isover: insulation products and plasterboard. Employees: 15.

EASTERN EUROPE

Poland

€1 = PLN 4.329

Saint-Gobain Glass Polska Sp Zoo: flat glass and flat glass products. Sales: PLN 386.4 million. Employees: 318. Subsidiaries: Glaspol Sp Zoo: construction glass and furniture glass products manufacturing and distribution. Sales: PLN 233.8 million. Employees: 671. HS Jaroszowiec: screen-printing glass. Sales: PLN 74.5 million. Employees: 273. Saint-Gobain Euroveder Polska: glass products for household appliances, photovoltaic glass. Sales: PLN 74 million. Employees: 236.

Saint-Gobain Sekurit Hanglas Polska Sp Zoo: automotive and other transportation glass. Sales: PLN 569.8 million. Employees: 1,302.

Saint-Gobain Velimat Polska Sp Zoo: bonded fiberglass. Sales: PLN 27.2 million. Employees: 80.

Saint-Gobain Abrasives Sp Zoo: abrasive grinding wheels. Sales: PLN 246.5 million. Employees: 775.

Saint-Gobain Construction Products Polska: plaster, plasterboard, insulation products and ceiling tiles. Sales: PLN 465.8 million. Employees: 538.

Saint-Gobain WIK: pipe distribution. Sales: PLN 88.1 million. Employees: 29.

Saint-Gobain Dystrybucja Budowlana Sp Zoo: building materials distribution (64 outlets). Sales: PLN 605.7 million. Employees: 830.

Romania

€1 = RON 4.238

Saint-Gobain Glass Romania SRL: flat glass. Sales: RON 212 million. Employees: 252.

Saint-Gobain Construction Products: plaster, plasterboard and rock wool. Sales: RON 250.4 million. Employees: 421.

SG Conducte: pipe distribution. Sales: RON 99.7 million. Employees: 11.

Bulgaria

€1 = BGL 1.956

SGCP Bulgaria Ltd: plaster, plasterboard and insulation products. Sales: BGL 14.6 million. Employees: 26.

Saint-Gobain Weber Bulgaria Eood: industrial mortars. Sales: BGL 18.7 million. Employees: 76.

Russia

€1 = RUB 44.139

Saint-Gobain Construction Products Rus (87.41%): plaster, plasterboard and insulation products. Sales: RUB 3 billion. Employees: 431.

Kavminsteklo Zao (91.8%): glass containers. Sales: RUB 1.96 billion. Employees: 830.

Kamyshinsky Steklotarny (96.09%): glass containers. Sales: RUB 1.85 billion. Employees: 985.

Ukraine

€1 = UAH 11.261

Saint-Gobain Construction Products Ukraine: plaster, plasterboard and insulation products. Sales: UAH 134.2 million. Employees: 39.

Consumers Sklo Zorya (96.68%): glass containers. Sales: UAH 418.2 million. Employees: 627.

SPAIN, PORTUGAL & MOROCCO

Spain

Saint-Gobain Cristaleria SA: construction glass, automotive glass, insulation materials (glass wool and rock wool). Sales: €398.3 million. Employees: 1,252. Subsidiaries:

- Saint-Gobain Autover: replacement automotive glass distribution.
- Saint-Gobain Wanner: thermal and acoustic insulation. Sales: €47.4 million. Employees: 298.
- Industrias del Cuarzo (Incusa): sand quarry. Employees: 50.
- Saint-Gobain Glass Solarcontrol SL: Sales: €26.5 million. Employees: 68.

Iberplaco: plasterboard. Sales: €159.6 million. Employees: 696.

SG Transormados: Sales: €15.3 million. Employees: 51.

La Veneciana: flat glass product and mirror glass manufacturing, distribution and installation. Sales (including subsidiaries): €88 million. Employees (including subsidiaries): 570. Subsidiaries: La Veneciana Norte, La Veneciana Bética, Cristaleria Industrial (CRISA), Vidrios de Seguridad Laminados (VISLAM).

Saint-Gobain Abrasivos: abrasive grinding wheels. Sales: €26.3 million. Employees: 135.

Saint-Gobain Ceramicas Industriales: technical ceramics manufacturing and high-performance plastics distribution. Employees: 56.

Saint-Gobain Canalizacion: ductile cast-iron pipes. Sales: €153.5 million. Employees: 253. Subsidiary: Saniplast: distribution of pipes and accessories. Sales: €90.8 million. Employees: 209.

Discesur: ceramic tile distribution. Sales: €31.4 million. Employees: 99.

Saint-Gobain Vicasa SA: glass containers (bottles and industrial jars). Sales: €298 million. Employees: 1,054. These figures include Saint-Gobain Montblanc SA: glass containers. Associated company: Vidrieras Canarias (40.9%): glass containers. Sales: €19.2 million. Employees: 89.

Portugal

Saint-Gobain Glass Portugal: construction glass, construction glass products, glass for household appliances. Sales: €47.2 million. Employees: 59. Subsidiaries: Covipor-CIA Vidreira do Norte, Covilis and EVI-Pruducao de Energia: construction glass products. Sales: €41 million. Employees: 193.

Saint-Gobain Sekurit Portugal Vidro Automovel: automotive glass products. Sales: €48.9 million. Employees: 235. Subsidiary: Autover Lusa (60%): replacement automotive glass distribution. Sales: €8.6 million. Employees: 75.

Saint-Gobain Abrasivos Lda: abrasives distribution. Employees: 34.

Saint-Gobain Mondego: glass containers (bottles and industrial jars). Sales: €80 million. Employees: 233.

PAM Portugal: pipe distribution. Sales: €33.3 million. Employees: 25.

UNITED KINGDOM, REPUBLIC OF IRELAND AND SOUTH AFRICA

United Kingdom

€1 = GBP 0.891

Solaglas Ltd: construction glass products manufacturing and distribution (tempered glass, laminated glass, mirrors, insulating glass). Network of 31 sites, including 9 production facilities, throughout the UK. Sales: GBP 119.6 million. Employees: 1,292. These figures comprise all Solaglas Ltd subsidiaries, including: Hayes Group, Dockrell Glass Group: construction glass products; Thermax, Birmingham Build: automotive and construction glass products; Saint-Gobain Glass Ltd: UK distributor for Flat Glass division products.

Saint-Gobain Ceramics & Plastics Plc: holding company. Subsidiaries:

- Saint-Gobain Industrial Ceramics Ltd: high-temperature insulating fiber and refractory products. Sales: GBP 6.8 million. Employees: 55.
- Saint-Gobain Performance Plastics Corby and Saint-Gobain Performance Plastics Tygaflor Ltd: heat-resistant hose, tubing and bundles for beverage-dispensing applications. Sales: GBP 10.8 million. Employees: 43.
- Saint-Gobain Quartz Plc: silica parts for the chemical industry, fused quartz for the semi-conductor industry, optical fiber, infrared heaters and laboratory equipment. Sales: GBP 1.2 million. Employees: 1.

Rencol Tolerance Rings Ltd: Sales: GBP 12 million. Employees: 105.

Abrasives Plc: Subsidiary: Saint-Gobain Abrasives Ltd. Sales: GBP 37.8 million. Employees: 270. Bonded and coated abrasives, superabrasives (through various subsidiaries).

Saint-Gobain Plc: holding company. Subsidiaries:
- Saint-Gobain Glass UK Ltd: flat glass and flat glass products. Sales: GBP 69.9 million. Employees: 187.
- Saint-Gobain Technical Fabrics UK Ltd.
- Saint-Gobain Insulation UK. Subsidiary: Isover UK: insulation products. Sales: GBP 48.6 million. Employees: 165.

British Plaster Board (Bpb Plc): plasterboard, construction plaster and other specialty plasters. Sales: GBP 372.7 million. Employees (including subsidiaries): 1,411.

Saint-Gobain Ecophon Ltd: acoustic products. Sales: GBP 15.4 million. Employees: 47.

Saint-Gobain PAM Ltd: ductile cast-iron pipes and hydraulic connectors for water and sewer networks; hydraulic valves; cast-iron and steel municipal castings, cast-iron construction products. Sales: GBP 88.2 million. Employees: 420.

Saint-Gobain Building Distribution Ltd.: holding company: building materials distribution (891 outlets in the United Kingdom and Ireland). Sales: GBP 2.1 billion. Employees (including subsidiaries): 11,603.

Republic of Ireland

Chemfab Holding: Subsidiaries: Chemfab Ireland Ltd and Saint-Gobain PPL Ireland: PTFE and silicone-coated fabrics, adhesive tapes. Sales: €15.2 million. Employees: 65.

Glasuld Ireland: insulation products.

Moy-Isover Ltd: insulation products. Sales: €11.5 million. Employees: 9.

Gypsum Industries Ltd Ireland: plaster, plasterboard and ceiling tiles. Sales: €57.4 million. Employees: 170.

South Africa

€1 = ZAR 11.687

Saint-Gobain Abrasives South Africa: bonded abrasives, superabrasives and grinding wheels. Sales: ZAR 59.7 million. Employees: 117.

Saint-Gobain Isover South Africa: insulation products. Sales: ZAR 245.4 million. Employees: 510.

BPB Gypsum (Pty) Ltd: plaster, plasterboard and ceiling tiles. Sales: ZAR 1.04 billion. Employees: 536.

Donn Products Pty: plasterboard and ceiling tiles. Sales: ZAR 350.4 million. Employees: 132.

Saint-Gobain Pipelines South Africa: cast-iron parts. Sales: ZAR 186.8 million. Employees: 347.

ITALY, GREECE, EGYPT & TURKEY

Italy

Saint-Gobain Glass Italia SpA: flat glass and flat glass products. Sales: €84.4 million. Employees: 286. Subsidiaries:
- Flovetro SpA (50%): float glass and float glass products. Sales: €15.3 million. Employees: 49.
- SGGI Logistica Servizi : road transport.
- Saint-Gobain Glass Italia Distribuzione S.R.L: glass products manufacturing and distribution. Sales: €40 million. Employees: 47.
- Vetreira Industriale Saint-Gobain (V.I.S) SRL Employees: 31.

Saint-Gobain Sekurit Italia S.R.L: automotive glass products. Sales: €36 million. Employees: 107. Subsidiaries: S.G. Autover Italia SRL, S.G. Sicurglass SRL. and Sicurglass Sud. Total sales by the subgroup: €49.2 million. Employees: 331.

Saint-Gobain Euroveder Italia SpA: tempered glass for household appliances. Sales: €24.5 million. Employees: 173.

Saint-Gobain Abrasivi SpA: abrasive grinding wheels. Sales: €69.9 million. Employees: 368.

SEPR Italia SpA: fused-cast refractory products. Sales: €27.1 million. Employees: 172.

Saint-Gobain Isover Italia: insulation products and sealing products (roofing materials, fiberglass mat siding). Sales: €55.2 million. Employees: 162.

BPB Italia SpA: plaster, plasterboard and ceiling tiles. Sales: €129.5 million. Employees: 352.

Saint-Gobain PAM Italia SpA: ductile cast-iron pipes. Sales: €92.5 million. Employees: 103.

Vemac SRL: building materials distribution (11 outlets). Sales: €46.6 million. Employees: 189.

Di-Trani: building materials distribution. Sales: €16.5 million. Employees: 47.

Saint-Gobain Vetri SpA: glass containers (bottles and industrial jars). Sales: €475.3 million. Employees: 1,185 These figures include Ecoglass: cullet collection and processing.

Egypt

€1 = EGP 7.738

Saint-Gobain Glass Egypt (85%): flat glass. Employees: 198.

BPB Placo Egypt for Industrial Investments Sae - Egypt: plaster. Employees: 336.

Greece

Autover Hellas: Employees: 31.

BPB Hellas ABEE: plaster. Sales: €11.9 million. Employees: 70.

Turkey

€1 = TRY 2.162

Izocam (47.5%): glass wool and rock wool. Sales: TRY 102.1 million. Employees: 202.

Weber Markem: industrial mortars. Sales: TRY 66.1 million. Employees: 217.

Saint-Gobain Rigips Turkey: plaster. Sales: TRY 35.1 million. Employees: 95.

OTHER EUROPEAN COUNTRIES

Switzerland

€1 = CHF 1.509

Saint-Gobain Glass Solutions Suisse AG: construction glass products manufacturing and distribution. Sales: CHF 69.2 million. Employees: 204.

Vetrotech Saint-Gobain International AG: glass ceramic hobs. Sales: CHF 148.3 million. Employees: 162.

Rasta: Employees: 19.

Saint-Gobain Isover SA: insulation products manufacturing and marketing; fiberglass reinforcements distribution. Sales: CHF 62.2 million. Employees: 163.

Rigips AG: plaster, plasterboard, insulation products and ceiling tiles. Sales: CHF 79 million. Employees: 160.

Sanitas Troesch: fitted bathrooms and kitchens distribution (32 outlets). Sales: CHF 586.7 million. Employees: 933.

International Saint-Gobain: holding company.

NORTH AMERICA

United States

€1 = USD 1.393

Saint-Gobain Corporation: holding company.

CertainTeed Corporation: insulation products and building materials. This sector includes the following business lines:
– Roofing shingles for the homebuilding and renovation market.
– Roofing products for the commercial building market.
– Roofing granules.
– PVC pipe and exterior products (fencing, decking and railings).
– Fiber cement siding.
Subsidiaries:
- Saint-Gobain Technical Fabrics America, Inc. : industrial reinforcements.
- Saint-Gobain BayForm America Inc. industrial door and window parts.
- Ecophon C.T.T.: acoustic ceiling distribution.

Sales: USD 2.46 billion. Employees: 4,471. CertainTeed Corporation sales and employees include Saint-Gobain Technical Fabrics America, Ecophon C.T.T. Bird Inc. and GS Roofing.

Saint-Gobain Glass Corporation: holding company. Subsidiaries: Saint-Gobain Sekurit USA Inc., HCS Corporation, Vetrotech Saint-Gobain North America Inc. Total sales: USD 14.5 million. Employees: 49.

Saint-Gobain Autover Inc.: replacement glass. Sales: USD 14.2 million. Employees: 13.

Eurokera North America (50%): glass ceramic hobs. Sales: USD 28.2 million. Employees: 55.

Saint-Gobain Abrasives, Inc.: bonded and coated abrasives, superabrasives. Sales: USD 591.9 million. Employees: 2,919. These figures include Saint-Gobain Universal Superabrasives, Inc. Main subsidiaries in the United States, Canada, Mexico and New Zealand.

Saint-Gobain Ceramics & Plastics, Inc. and subsidiaries: technical and advanced ceramics, chemical process products, high-performance plastics, fused-cast refractory products, special ceramic grains and silicon carbide products. Sales: USD 1.2 billion. Employees: 4,280.

Norandex Building Materials Distribution: building materials distribution (147 outlets); vinyl siding production. Sales: USD 454.7 million. Employees: 1,134.

Meyer International Inc.: Sales: USD 56 million. Employees: 212.

CertainTeed Gypsum & Ceilings USA: plaster, plasterboard and ceiling tiles. Sales: USD 308.1 million. Employees: 696.

Saint-Gobain Containers, Inc.: glass containers (bottles and jars). Sales: USD 1.51 billion. Employees: 4,338. Subsidiary: GPS America. Sales: USD 28.9 million. Employees: 65.

Canada

€1 = CAD 1.586

Saint-Gobain Technical Fabrics Canada, Ltd.: industrial door and window parts. Sales: CAD 15.8 million. Employees: 33.

Decoustics: acoustic products. Sales: CAD 34.6 million. Employees: 107.

CertainTeed Gypsum Canada, Inc.: plasterboard. Sales: CAD 274.7 million. Employees: 570.

CertainTeed Insulation: insulation products. Sales: CAD 40.7 million. Employees: 221.

MEXICO, COLOMBIA & VENEZUELA

Colombia

€1 = COP 2,991.87

Saint-Gobain de Colombia: construction and automobile glass. Sales: COP 75 billion. Employees: 349.

Productora de Abrasivos: coated abrasives and grinding wheels. Sales: COP 35.4 billion. Employees: 87.

FiberGlass Colombia (55%): glass wool for the building and manufacturing industries. Sales: COP 50 billion. Employees: 195.

PAM Colombia SA: water supply pipes. Sales: COP 16.8 billion. Employees: 16.

Mexico

€1 = MXN 18.784

Saint-Gobain Glass Mexico: flat glass and flat glass products. Sales: MXN 1.67 billion. Employees: 366.

Saint-Gobain Sekurit Mexico: automotive glass. Sales: MXN 951.9 billion. Employees: 631.

Saint-Gobain Glass Euroveder Mexico: tempered glass for household appliances. Sales: MXN 189 billion. Employees: 74.

Saint-Gobain Gypsum SA de CV: Employees: 74.

Saint-Gobain Vetrotex America - Xicoh: insect screens. Sales: MXN 629.9 million. Employees: 449.

Venezuela

€1 =VEF 2.993 (average rate for the year)

Saint-Gobain Sekurit: automotive glass. Sales: VEF 43 million. Employees: 6.

Saint-Gobain Abrasivos CA: coated abrasives and grinding wheels. Sales: VEF 36.9 million. Employees: 91.

Saint-Gobain Materiales Ceramicos CA: silicon carbide. Sales: VEF 35.6 million. Employees: 42.

Fivenglass: insulation products distribution. Sales: VEF 31 million. Employees: 22.

BRAZIL, ARGENTINA & CHILE

Argentina

€1 = ARS 5.257

Vidrieria Argentina (VASA) (49%): construction glass. Sales: ARS 207.8 million. Employees: 150.

Saint-Gobain Abrasivos Argentina: bonded abrasives manufacturing and distribution. Sales: ARS 41 million. Employees: 28.

Saint-Gobain Isover Argentina: fiberglass insulation and reinforcement products. Sales: ARS 65.5 million. Employees: 128.

Saint-Gobain Construction Products Gypse: plaster and plasterboard. Sales: ARS 32.4 million. Employees: 95.

Barugel Azulay: kitchen, bathroom and tile distribution (12 outlets). Sales: ARS 152.7 million. Employees: 261.

Rayen Cura Saic (60%): glass containers (bottles). Sales: ARS 301.2 million. Employees: 301.

Brazil

€1 = BRL 2.771

Saint-Gobain Do Brazil Ltda: construction glass, automotive glass, fiberglass insulation and reinforcement products. Sales: BRL 1.2 billion. Employees: 3,643. Subsidiary:
- Mineraçao Jundu (50%): quarry operator. Employees: 164.
- Cebrace (50%): flat glass. Sales: BRL 756.3 million. Employees: 866.

Saint-Gobain Do Brazil Weber: tile adhesive. Sales: BRL 571.9 million. Employees: 954.

Saint-Gobain Vidros SA: glass containers (bottles and industrial jars) and glassware. Sales: BRL 466.7 million. Employees: 1,031.

Saint-Gobain Abrasivos Ltda: bonded and coated abrasives. Sales: BRL 400.8 million. Employees: 1,124.

Saint-Gobain Canalização: ductile cast-iron pipes and connectors. Sales: BRL 490.3 million. Employees: 1,261.

Chile

€1 = CLP 776.933

Inversiones Float Chile Ltda (49%): flat glass and flat glass products. Subsidiary: Vidrios Lirquen (51%): flat glass and flat glass products. Sales: CLP 16.2 billion. Employees: 133.

Saint-Gobain Envases SA (51%): glass containers (bottles). Sales: CLP 17.6 billion. Employees: 199.

ASIA-PACIFIC

South Korea

€1 = KRW 1,772.88

Hankuk Glass Industries Inc. (Hankuk Glass Industries Inc. (77%), listed on the Seoul Stock Exchange: flat glass. Sales: KRW 309.8 billion. Employees: 513. Subsidiaries:
- Hankuk Sekurit Limited (88.4%): automotive glass products. Sales: KRW 141.6 billion. Employees: 440.
- Hankuk Haniso. Sales: KRW 84 billion. Employees: 108.

Saint-Gobain PPL Korea Co. Ltd: Sales: KRW 21.3 billion. Employees: 50.

Indonesia

€1 = IDR 14,453.977

Saint-Gobain Winter Diamas (75%). Employees: 239.

Saint-Gobain Abrasives: Employees: 96.

Japan

€1 = JPY 130.273

Saint-Gobain Sekurit: automotive glass. Sales: JPY 3.7 billion. Employees: 16.

Saint-Gobain KK: superabrasives, technical ceramics, high-performance plastics. Sales: JPY 11.4 billion. Employees: 251.

Saint-Gobain PPL. Sales: JPY 3.6 billion. Employees: 103.

Saint-Gobain TM KK (60%): glass furnace refractories. Sales: JPY 9.4 billion. Employees: 179.

MAG (43.7%): glass wool. Sales: JPY 7.6 billion. Employees: 169.

Malaysia

€1 = MYR 4.904

Saint-Gobain Construction Products Malaysia Sdn: plaster. Sales: MYR 71.6 million. Employees: 73.

Singapore

€1 = SGD 2.023

Saint-Gobain Abrasives Singapore: Sales: SGD 27.1 million. Employees: 38.

Thailand

1 € = 47.784 baths

Saint-Gobain Sekurit Thailand (95%): automotive glass products. Sales: THB 2.3 billion. Employees: 596.

Saint-Gobain Abrasives Thailand Ltd: Employees: 97.

Thai Gypsum Products Plc (99.7%): plaster and plasterboard. Sales: THB 2.3 billion. Employees: 374. Subsidiary: Bpb Asia Ltd. Employees: 20.

Australia

€1 = AUD 1.775

Saint-Gobain Abrasives Australia Pty: Sales: AUD 86 million. Employees: 246.

Vietnam

€1 = VND 25,135.480

Saint-Gobain Construction Products Vietnam: plaster. Sales: VND 354.6 million. Employees: 114.

CHINA

€1 = CNY 9.518

Saint-Gobain Hanglas Safety Shanghai: automotive glass products. Sales: CNY 786.4 million. Employees: 634.

Saint-Gobain Sekurit Shanghai Co. Ltd.: automotive glass products. Sales: CNY 84.8 million. Employees: 39.

Nanjing New Nanwoo Glass Industries Co. Ltd. (90.2%). Sales: CNY 335.5 million. Employees: 404.

Qingdao Saint-Gobain Hanglas Clfg Co. Ltd (84%). Sales: CNY 339.6 million. Employees: 273.

Eurokera Guangzhou Co. Ltd (50%): glass ceramic hob finishing products.

Kunshan Yongxin Glassware Co. Ltd: Sales: CNY 183.5 million. Employees: 363.

SEPR Beijing (87.8%): fused-cast refractory products. Sales: CNY 281.3 million. Employees: 445.

Saint-Gobain PPL Shanghai: Sales: CNY 267.4 million. Employees: 282.

Ceramic Materials China (Lianyungang). Sales: CNY 15.2 million. Employees: 10.

Ceramic Materials Mudanjiang Co. Ltd.: Sales: CNY 122 million. Employees: 341.

Abrasives Shanghai: abrasive grinding wheels. Sales: CNY 456.7 million. Employees: 514.

SGTF (Changzhou) Co. Ltd: Sales: CNY 52.8 million. Employees: 135.

Saint-Gobain Gypsum (Changzhou): plaster. Sales: CNY 159.6 million. Employees: 103.

Saint-Gobain Gypsum Materials Shanghai: plaster. Sales: CNY 200.3 million. Employees: 163.

Saint-Gobain Isover Gu An: Employees: 136.

Saint-Gobain Pipelines Co. Ltd.: ductile cast iron pipes. Sales: CNY 812.5 million. Employees: 958.

Saint-Gobain Xuzhou Pipelines Co. Ltd: Sales: CNY 878.7 million. Employees: 458.

Saint-Gobain Foundry Co. Ltd: Employees: 221.

DIP: ductile cast iron pipes. Sales: CNY 580.4 million. Employees: 499.

Saint-Gobain Xugang Pipe Cie. Ltd: (Xuzhou General Iron and Steel Works): liquid cast iron production. Subsidiary: Ductile Iron Pipe Co. (D.I.P.). Sales: CNY 1.6 billion. Employees: 2,152.

La Maison (SGDB China): home improvement products distribution. Sales: CNY 335.8 million. Employees: 992.

INDIA

€1 = INR 67.268

Saint-Gobain Glass India Ltd: Sales: INR 11.22 billion. Employees: 922.

Saint-Gobain Sekurit India (85.2%), listed on the Mumbai Stock Exchange: automotive glass products. Sales: INR 812.7 million. Employees: 185.

Grindwell Norton Ltd (51.6%), listed on the Mumbai Stock Exchange: abrasives and ceramics. Sales: INR 5.31 billion. Employees: 1,472.

SEPR Refractories India Ltd: fused-cast refractory products. Sales: INR 842.8 million. Employees: 296.

Saint-Gobain Crystals & Detectors: Employees: 92.

India Gypsum Ltd: plaster and plasterboard. Sales: INR 2.85 billion. Employees: 457.

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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 to ensure that such is the case, the information contained in the Registration Document is in accordance with the facts and contains no omission likely to affect 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 companies in the consolidated group, 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 companies in the consolidated group, 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 in which they confirm that they verified the information regarding the financial position and the accounts contained herein, and have examined the entire Registration Document."

Courbevoie,
March 31, 2010

Pierre-André de CHALENDAR
Director and Chief Executive Officer

TABLE OF CONCORDANCE

For the convenience of readers of this Registration Document, the following table provides an index to the main disclosures required by Annex 1 of European Commission Regulation (EC) 806/2004.

The following information is incorporated by reference in the Registration Document:

- The consolidated financial statements and the parent company financial statements for the year ended December 31, 2008 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 the Registration Document filed with the Autorité des Marchés Financiers on March 24, 2009 under no D.09-0149;
- The consolidated financial statements and the parent company financial statements for the year ended December 31, 2007 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 filed with the Autorité des Marchés Financiers on April 8, 2008 under no. D.08-0214.

For the convenience of readers of the Annual Financial Report, the following table provides an index to the main disclosures required by Article L.451-1-2 of the French Monetary and Financial Code.

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