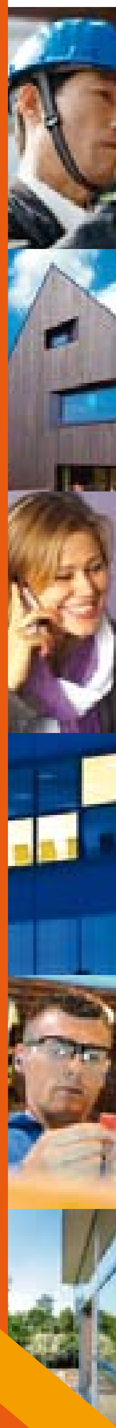


2010
ANNUAL REPORT

SAINT-GOBAIN

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

AUTORITÉ
DES MARCHÉS FINANCIERS

AMF

This registration document, incorporating the annual financial report, was filed with the Autorité des Marchés Financiers on March 29, 2011 under number D.11-0189, 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. This registration document was prepared by Saint-Gobain and is the responsibility of the persons whose signatures appear herein.

CONTENTS

Saint-Gobain is a solid organization that will reap the full benefits of the return to growth.

Saint-Gobain has emerged stronger from the exceptional challenges of the great recession, as our excellent 2010 results attest. In a still-recovering global economic environment, we deployed all of our priority initiatives with determination and exceeded all of our objectives. Our sales volumes began to climb again during the year and we successfully leveraged our price-focused strategy.

Last year, I announced Saint-Gobain's goal to be the benchmark in sustainable habitat solutions. We have started to implement this strategy of sustainable growth and market leadership. Our strategic positioning presents us with development opportunities, both in fast-growing markets—where we will pick up the pace of profitable expansion—and in more mature markets, where demand is led by the need to comply with energy-performance standards.

As a result, we are able to set our sights on ambitious objectives for the next five years. We are aiming for consolidated organic growth of 6% per year on average by 2015. Thanks to increased spending on innovation and on research and development, new products should account for as much as 25% of consolidated net sales in 2015. In addition, we will strengthen our positioning in high value-added solutions for the habitat and construction market, with the goal of increasing their contribution to 60% of total sales in 2015 (compared with 51% at present).

In 2011, we intend to pursue our expansion. Continuing to place a priority on prices, while constantly keeping costs in check and maintaining sound financial discipline, we will once again be pursuing a dynamic capital expenditure and acquisitions strategy.

Saint-Gobain is a solid organization that will reap the full benefits of the return to growth as we move forward. We demonstrated remarkable adaptability during the crisis and now boast a balance sheet that enables us to re-focus on a determined development strategy and seize available growth opportunities.

All of this has been made possible by the extraordinary efforts of our teams, to whom I would like to express my deepest appreciation.

Pierre-André de CHALENDAR
Chairman and Chief Executive Officer

FINANCIAL HIGHLIGHTS

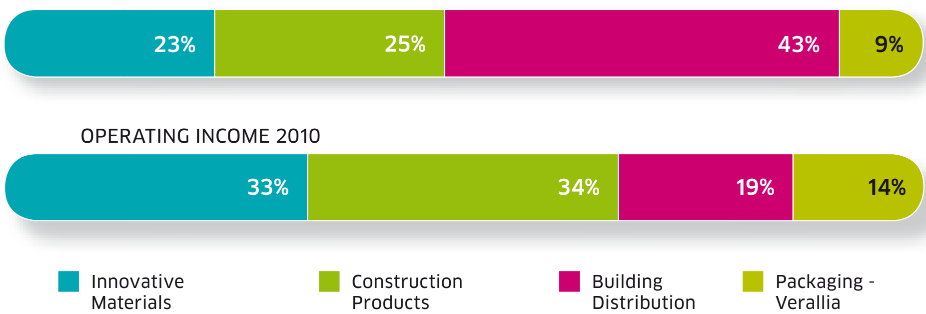
In a global economy still recovering from the crisis, Saint-Gobain returned to growth in 2010, reporting an increase in unit sales and sharply higher earnings for the year.

(In € millions)	2010	2009
NET SALES	40,119	37,786
Operating income	3,117	2,216
Net income	1,213	241
Recurring net income [1]	1,335	617
Recurring earnings per share (in €) [1] [2]	2.51	1.20
Net income attributable to equity holders of the parent	1,129	202
Earnings per share (in €) [2]	2.13	0.39
Total investments [3]	1,580	1,453
Equity (including minority interests)	18,232	16,214
Net debt	7,168	8,554
Non-current assets	28,933	28,149
Working capital	3,188	2,952

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

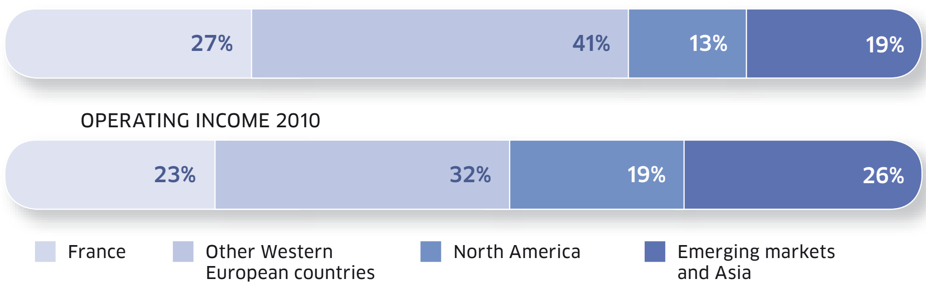
BY SECTOR

NET SALES 2010



BY GEOGRAPHIC AREA

NET SALES 2010



Ten-year consolidated financial highlights are presented on page 9.

FOR THE FULL FINANCIAL RESULTS, GO TO
www.saint-gobain.com

STRATEGY AND BUSINESSES AT SAINT-GOBAIN

STRATEGY: THE BENCHMARK IN SUSTAINABLE HABITAT SOLUTIONS

Saint-Gobain, the world leader in the habitat and construction markets, designs, manufactures and distributes building materials, providing innovative solutions to the challenges of growth, energy efficiency and environmental protection.

Saint-Gobain aims to become the benchmark in the sustainable habitat market. This means developing construction and renovation solutions for professional customers to ensure that buildings are energy efficient, comfortable, healthy and esthetically superior, while at the same time protecting natural resources.

We are deploying this strategy across all markets, taking into account their specific characteristics:

- in mature markets, the looming shortage of fossil fuels and the pressing need to cut CO_2 emissions have prompted 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;
- in emerging markets, business is driven by rapidly accelerating urban development and exponential growth in demand for housing and offices.

These trends represent valuable opportunities for Saint-Gobain, which should benefit significantly from the environmentally led growth in the construction market. We offer easy-to-use solutions aligned with local needs and practices in every segment of the construction market, from homes to offices, and from newbuilds to renovation projects.

BUILDING THE HOMES OF THE FUTURE

Saint-Gobain will play a leading role in the revolution that is about to take place in the habitat and construction sector, by developing solutions that make buildings more energy efficient and that help to protect the planet. That's why we are continuing to invest heavily in research and development.

Most of our solutions, including glass products, glass wool insulation, plasterboard, exterior wall and floor coating mortars, already help to make buildings more energy efficient and will further contribute to their performance in the future.

The home of the future will be a comfortable, healthy haven that will fulfill the basic human desire to be protected from the aggressions of the outside world. To make this vision reality, we offer decorative solutions, such as paintable woven glass fabrics, as well as 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. We are committed to helping customers and partners embrace these green principles by leveraging the power of our distribution networks. In line with this commitment, we stepped up our broad-based program to train builders in emerging energy-saving techniques and solutions in 2010.

Already active in renewable energy development, we are focusing on solar power solutions with a presence across the value chain and the technology base, including photovoltaic panels and solar heating systems. We intend to create a fully fledged solar business generating net sales of €2 billion within five years, building on the €300 million generated in 2010.

Unique positioning

Saint-Gobain is uniquely positioned to meet the needs of attractive, fast-growing markets, thanks to its:

- worldwide or European leadership in all of its businesses(1), with local solutions tailored to the needs of each market;
- solutions combining products and services adapted to customers' needs;
- outstanding potential for innovation, supported by industrial expertise and broad-ranging skills in materials;
- unrivalled portfolio of energy efficiency products and solutions.

We are deploying our strategy 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 Activity, 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 almost two-thirds of our total research and development commitment.

The Construction Products Sector offers acoustic and thermal insulation products, wall facings, roofing products, piping and other interior and exterior building solutions that deliver a wide range of benefits, including energy savings. Its diversified business base provides an unmatched referral network, a global industrial footprint

(1) Source: Saint-Gobain.

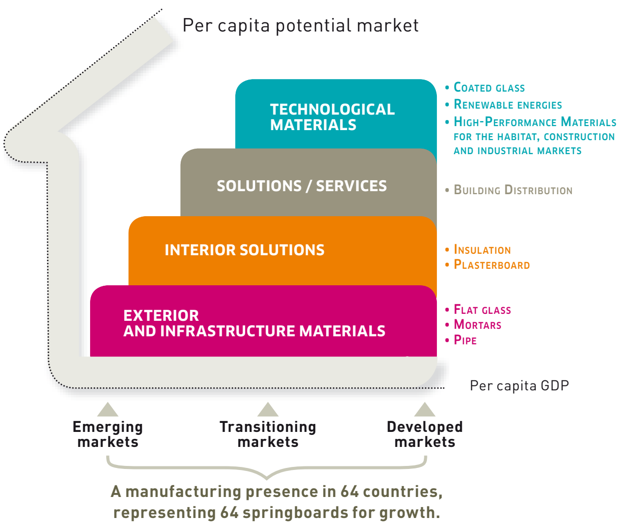
and a portfolio of high profile brands like Isover, PAM, Weber, Placo®, Gyproc and CertainTeed.

The Building Distribution Sector, which is sharply focused on services for building professionals, 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 craftsmen embrace new building renovation techniques.

The world's No. 2 manufacturer of glass containers[1], Saint-Gobain's Packaging Sector (Verallia), makes bottles for wines and spirits and jars for food products. It also markets glass containers for beer, fruit juices, soft drinks, mineral water and oil. Verallia, which is not directly involved in the Group's sustainable home strategy, will be ready for a minority listing on the French stock market during the second quarter of 2011, market conditions permitting.

A worldwide presence, local responses

Solutions for every stage of the development cycle



By proposing solutions for markets at all stages of development, we capture opportunities wherever they exist, in growing segments of both mature and emerging markets.

High value-added habitat and construction solutions

Our offering for mature markets includes technical solutions and solutions to make buildings more energy efficient.

These markets are driven by energy performance requirements, particularly in Western Europe, where new regulations are coming into force. These requirements will significantly increase the use of large window surfaces, for example, in new buildings and encourage the installation of ever more efficient insulation.

We intend to strengthen our positioning in high value-added habitat and construction solutions, with the goal of raising their contribution to consolidated net sales to 60% by 2015 from 51% at present.

Our capital expenditure choices will lead us in this direction. In 2010, we built a new fireproof glass production line in the United Kingdom, and started construction of a glass furnace and set up a new coater facility in Italy. A large number of facilities were inaugurated or brought on stream during the year. In France, these included the glass wool insulation plant in Chemillé inaugurated by the Prime Minister in April and scheduled to double its capacity in 2012, the world's largest glass ceramics furnace in Bagneaux-sur-Loing and a new advanced insulation glazing facility in Crissey. In Spain, a new screen-printed glass production line was brought on stream and, in Germany, a plant was inaugurated to manufacture Avancis photovoltaic modules.

Faster expansion in Asia and emerging markets

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.

In 2010, we announced the construction of a new Avancis photovoltaic module plant in South Korea in partnership with Hyundai. New *floats* will be built in various countries, including Russia, through a joint venture with Sisecam; Brazil; Colombia and India. Coaters will be added in Brazil and South Korea, while abrasives will be developed in Brazil, Poland and China. We have also announced new mortar plants for Eastern Europe, Brazil, Turkey and Saudi Arabia and new gypsum plants for China, Russia, Egypt and Algeria.

(1) Source: Saint-Gobain.

We intend to speed our growth in Asia and emerging markets, with profitability as our priority focus.

The percentage of consolidated net sales attributable to emerging markets is expected to rise to 26% in 2015 from 19% in 2010. These markets should account for 39% of the total in Innovative Materials and Construction Products in 2015, versus 31% in 2010.

In the 2011-2015 period, 65% of our growth investments will be made in emerging markets. During that time, 80% of spending will be devoted to solar, high value-added habitat and construction solutions and to expansion in emerging markets.

Ambitious objectives

In November 2010, Pierre-André de CHALENDAR presented the Group's ambitious objectives for 2015.

Net sales	**€55 billion**
Operating income	**€5.5 billion** 10% of net sales.
Recurring net income	**€3 billion**
Return on investment (ROI)	**25%**
Return on capital employed (ROCE)	**14-15%**

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)	2010	2009	2008	2007	2006	2005[1]	2004 (in IFRS)	2004	2003	2002	2001	2000
Net sales [2]	40,119	37,786	43,800	43,421	41,596	35,110	32,172	32,025	29,590	30,274	30,390	28,815
Operating income	3,117	2,216	3,649	4,108	3,714	2,860	2,743	2,632	2,442	2,582	2,681	2,693
Net income	1,213	241	1,437	1,543	1,682	1,294	1,275	1,120	1,065	1,074	1,174	1,642
Recurring net income [3]	1,335	617	1,914	2 114	1 702	1,284	1 289	1,122	1,020	1,051	1,057	1,026
Recurring earnings per share (in €) [3] [4]	2.51	1.20	5.00	5.65	4.62	3.72	3.78	3.29	2.93	12.32 3.08*	12.40	12.04
Net income attributable to equity holders of the parent	1,129	202	1,378	1,487	1,637	1,264	1,239	1,083	1,039	1,040	1,134	1,517
Earnings per share (in €) [4]	2.13	0.39	3.60	3.97	4.44	3.66	3.63	3.18	2.99	12.2 3.05*	13.30	17.8
Total investments [5]	1,580	1,453	4,507	3,238	2,775	8,747	2,197	2,194	1,911	2,061	2,246	4,694
Equity (including minority interests)	18,232	16,214	14,530	15,267	14,487	12,318	10,863	11,806	11,310	11,542	12,348	11,724
Net debt	7,168	8 554	11,679	9,928	11,599	12,850	6,218	5,566	5,657	7,012	7,792	8,217
Non-current assets	28,933	28,149	28,026	26,041	26,274	26,763	17,183	17,515	17,237	18,840	19,678	19,530
Working capital	3,188	2,952	2,392	2,540[6]	2,451	2,324	3,181	4,943	5,247	3,951	3,075	3,222
Employees (December 31st)	189,193	191,442	209,175	205,730	206,940	199,630	181,228	181,228	172,811	172,357	173,329	171,125

(1) Including BPB from December 1, 2005.
(2) Including ancillary revenue for €272 million in 2010, €267 million in 2009, €318 million in 2008 and €295 million in 2007.
(3) Excluding capital gains and losses on disposals, asset write-downs and material non-recurring provisions (including a provision for the Flat Glass fine levied 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 the Flat Glass fine.
** Adjusted for the June 27, 2002 four-for-one stock-split.*

INNOVATIVE MATERIALS

FLAT GLASS

With more than **33,500** employees in **40** countries, Saint-Gobain Flat Glass is the leading flat glass manufacturer in Europe and No. 2 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.

In 2010, Asia and emerging markets accounted for 42% of the Activity's revenue, a sharp increase over previous years.
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 Activity has 35 *float* lines worldwide, including 13 operated through joint ventures. 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.

(1) Source: Saint-Gobain.

Flat glass offers numerous synergies. In addition to the core product range, the Activity 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.
The Commodity Products business reported strong growth in 2010, particularly in emerging markets where Saint-Gobain is well established.
To meet renewed demand, the Group re-started two *float* lines, in China and South Korea, inaugurated its first Middle Eastern *float* line, in Egypt, and launched the construction of two new production units in India and Brazil.

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 active glass sold under the Quantum Glass™ brand (Privalite, Electrochrome, etc.). The Activity 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). Difficulties in the European construction market led to further restructuring of the Building Transformation business in 2010 in the regions most affected. Towards the end of the year, a partnership was forged with US-based SAGE to build the world's first large-scale electrochromic glass plant.

The Activity 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, while also helping to reduce vehicle energy consumption.
The Activity also serves other segments of the transportation industry with glazing products for aircraft, railcars, trucks and armored vehicles. Demand was robust in 2010, thanks to the strong momentum in emerging markets and the automobile scrappage incentives introduced in Western countries.
To meet customer expectations more effectively, Saint-Gobain Sekurit is pursuing its expansion in fast growing regions, lifting production capacity in Asia, Latin America and Eastern Europe.

As a glass manufacturer and processor, the Flat Glass Activity 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. 2010 was a year of strong organic growth for Saint-Gobain Solar, which is helping to drive expansion of Flat Glass Activity sales in developed countries. During the year, construction began on two new 100-megawatt production lines, one in Europe and the other in South Korea in partnership with Hyundai Heavy Industries. Production of photovoltaic modules for solar power generation will be significantly increased when the new plants come on stream.

The Flat Glass Activity recorded a sharp increase in earnings in 2010.

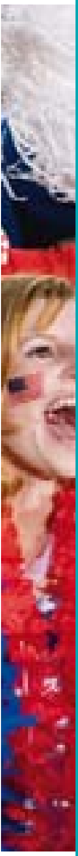
Flat Glass

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, buildings 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 joint leader worldwide

(1) Source: Saint-Gobain.

INNOVATIVE MATERIALS

HIGH-PERFORMANCE MATERIALS



With more than **27,600** employees, the High-Performance Materials Activity delivers high value-added solutions to the complex problems encountered by the manufacturing and construction industries.

The Activity is proficient in three main types of materials – mineral ceramics (though the Ceramics, Pellets & Powders, Crystals and Abrasives businesses), performance polymers (Performance Plastics) and glass fabrics (Textile Solutions). It has acquired leading edge expertise in a range of technologies, enabling it to leverage all the benefits of these highly complementary materials and to develop solutions that meet the specific needs of its various customers.

With its unique portfolio of materials and technologies, High-Performance Materials Activity makes a decisive contribution to Saint-Gobain's sustainable home strategy. In the area of photovoltaic systems, for example, the Activity supplies silicon substrate cutting tools and produces plastic films for making flexible solar modules. Similarly, many of the products developed by the Textile Solutions business help to improve homes and protect the environment.

Generally speaking, most of the Activity'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 radiation detection systems.

The High-Performance Materials Activity allocates a high proportion of net sales to research and development (over 3% in 2010). 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 energy and environmental challenges.
Examples of these projects include:

- Solar solutions, which are a key growth area for the High-Performance Materials Activity. The Activity 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 cells' production cost. It also offers a range of components for concentrator-based solar power plants, primarily thanks to its expertise in high-performance ceramics, and is developing energy storage solutions, which are critical to the development of renewable energies.

The Activity 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 41 countries. In 2010, 28% of High-Performance Materials sales were generated in Western Europe, 39% in North America and 33% in Asia and emerging markets.

In 2010, the Activity consolidated and strengthened its businesses, and also increased capacity at certain plants in emerging markets (Brazil, China, India, Mexico) to meet growing local demand.
The High-Performance Materials Activity comprises four businesses:

The **Ceramic Materials** business extends from the synthesis and conversion of raw materials (Grains & Powders) to the manufacture of sophisticated products representing unique, high value-added solutions closely aligned with each customer's needs. Examples include refractories for glass and blast furnaces.

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 in the purification, crushing, melting and sintering of these materials. It sells high-value suspensions and powders for the ceramics industry, 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.

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. Examples include the particularly sophisticated refractory ceramics used in glass furnaces that produce specialty glass for flat screen displays and the refractory ceramics 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 2011, we are planning new industrial projects in India, Brazil, China and the United States.

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. In addition, we supply sensors used in medical imaging machines and airport luggage scanners.

Abrasives is another business in which Saint-Gobain leads the world[1], thanks to the Ceramic Materials business's expertise in producing the ceramic grains on which most abrasive products are based. Saint-Gobain Abrasives covers

(1) Source: Saint-Gobain.

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). A key factor in this business, innovation drives the development of increasingly efficient and reliable products that are easier to use and longer lasting. Saint-Gobain is investing in new capacity to keep up with the very rapid pace of market growth in Asia and South America, while operations in Europe, which were harder hit by the crisis than other regions, have now returned to growth.

Thanks to **Performance Plastics**, the High-Performance Materials Activity has developed considerable technological expertise in the production of special 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 & Gaskets (for the automotive and aerospace industries), and Fluid Control Systems (for the healthcare and electronics industries). In 2010, the business pursued its development in China, with a production line that manufactures 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 **Textiles Solutions** business makes and sells glass fiber yarns and fabrics, chiefly for habitat and construction applications. We operate in some of the most buoyant segments of these markets, with high-performance solutions such as glass fiber mesh for façade insulation, a technique increasingly used in Europe, and a growing range of paintable glass fabrics, a simple, elegant interior decoration solution that we have further enhanced with acoustic correction capabilities. In 2010, the Textile Solutions business consolidated its presence in the US insect screening market by acquiring New York Wire, and returned to growth in all of its markets.

Based on actual exchange rates, in 2010 the businesses in the High-Performance Materials Activity reported net sales close to 2008 levels and operating income above that for 2008.

(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 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
Crystals	• Sensors for medical imaging, oil exploration and security and safety applications • Substrates, components & equipment for the semi-conductor and light-emitting diode industries	• Kyocera (Japan) • II-VI (United States)	• No. 1 worldwide in scintillation systems
Abrasives			
Bonded abrasives	• Roughing, grinding and sharpening of materials and tools in aerospace, automotive, metal processing, steel and bearings industries	• Winthertur Technologie Group (Switzerland) • Noritake (Japan) • Tyrolit (Austria)	• World leader in all abrasive businesses
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) • Winthertur Technologie 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
Textiles Solutions			
Glass fiber yarn	• Bobbins of glass fiber yarn for the textile industry	• AGY (United States) • P.P.G. (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

The Construction Products Sector employs nearly **46,000** people in **55** countries and comprises the Gypsum, Insulation, Exterior Fittings, Pipe and Industrial Mortars Activities. The global leader(1) in interior and exterior building solutions thanks to its high-profile brands and broad geographic footprint, the Sector has products for every need, both technical – such as noise control, insulation, sheathing or waterproofing and non-technical – for example, easy installation or stylish design. The success of the Construction Products Sector is grounded in its exceptional strengths – highly professional people, widely recognized brands, and solid strategic positions in its markets.

(1) Source: Saint-Gobain.

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

INTERIOR SOLUTIONS

Gypsum

The Gypsum Activity 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 lineup of mostly plaster-based solutions for partitions, wall linings, ceilings and floors meets 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 nearly 12,000 employees and 130 production facilities worldwide, the Gypsum Activity offers its customers easy-to-install systems complying with increasingly demanding energy efficiency, safety and comfort specifications.

Marketed under well-known brands such as Placo®, Gyproc, Rigips and CertainTeed, the ranges of traditional and light plaster products hold significant market shares in both developed countries and emerging markets. The ceiling business also benefits from the solid position of such banners as Ecophon, Eurocoustic and Gyptone, which combine with specialized brands to offer a comprehensive range of high-performance solutions.

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 Activity has a clear-cut strategy to drive growth and consolidate its global leadership by pursuing the following objectives:

- 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 in line with Saint-Gobain's sustainable home strategy.

Insulation

The Insulation Activity provides a range of solutions involving glass wool made using the TEL, Ultimate, REX and Sillan processes, as well as expanded polystyrene foam (EPS). It helps to keep buildings warm and quiet with increasingly energy-efficient solutions marketed worldwide under the Isover brand, in the United States under the CertainTeed brand and in Japan under the MAG Isover brand.

Insulation products are sold as rolls, panels, loose wool and in shell formats. The main applications are in the residential and commercial building and renovation industries, for roof, wall and floor insulation or to reduce energy consumption and noise for maximum efficiency and comfort. Many countries are tightening up their thermal and acoustic insulation standards in the construction industry, providing a solid springboard for growth in these market segments.

In addition to these building and renovation applications, the Activity also supplies technical insulation solutions for highly complex industrial facilities, as well as products for niche sectors such as soil-less (hydroponic) cultivation.

With 9,600 employees worldwide, the Activity insulates one in three houses in Europe[1] and one in five in the United States. It ranks number one worldwide[1] in mineral-wool insulation products, and has operations in all five continents, either as a direct producer or via licensees.

The Insulation Activity's strategic objectives are to:

- extend Isover's global leadership in mineral wool insulation through technological innovation and the development of cutting-edge systems and products, particularly for the renovation market;
- build a comprehensive insulation offering, by incorporating expanded polystyrene foam (EPS) and extruded polystyrene foam (XPS);
- establish a strong local presence by promoting transfers of technical, commercial and marketing expertise between subsidiaries in order to respond more effectively to each market's needs;
- promote the use of mineral wool insulation as an effective response to environmental and sustainable building concerns, thanks in particular to the recyclability of the raw materials used;
- actively contribute to the Group's sustainable development drive, by enhancing the environmental performance of its products and manufacturing facilities.

(1) Source: Saint-Gobain.

EXTERIOR SOLUTIONS

Exterior Fittings

CertainTeed, the Group's North American construction brand, is a leading player(1) in that market, with a comprehensive array of products designed specifically for North-American-style homes. The roofing lineup 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 markets 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 strategic objectives of this business 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.

Pipe

Leveraging its more than 150 years' experience of the water supply market, the Pipe Activity offers comprehensive solutions that meet the highest specifications. Customers choose Saint-Gobain pipe systems for the durability, ease of installation, performance and reliability of its products and services, and the wide range of products offered. Fully committed to the principles of sustainable development, the Pipe Activity 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.

Under the global PAM brand, the Pipe Activity designs and sells:

- complete ductile cast iron pipe systems for:
  - drinking water, irrigation, sanitation and rainwater drainage markets;
  - industrial utility and process circuits;
  - fire sprinkler systems;
- valves, sprinklers and connectors for water networks;
- ductile cast iron and steel municipal castings for networks access (water, wastewater and telecommunications);
- complete cast iron systems for wastewater and rainwater drainage for buildings;
- PAM Elixair ductile cast iron Air-Earth Heat Exchanger (AEHX).

With a view to ensuring a local footprint, the Pipe Activity is organized internationally around three units, Water & Sewage, Municipal Castings, Soil & Drain.

The Pipe Activity 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 systems for wastewater and rainwater drainage for buildings. It has a global presence, selling its products and services in over 140 countries in 2010 from manufacturing bases in France, Germany, Spain, the United Kingdom, Italy and Brazil as well as from more recently developed plants in China, the Czech Republic and South Africa. With 10,600 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.

Industrial Mortars

The Industrial Mortars Activity, which markets its products under the Weber brand, is the world leader(1) in its field, ranking No.1 worldwide for tile adhesives and grouting, and No.1 in Europe for exterior wall insulation systems and flooring systems. With nearly 180 industrial facilities in 44 countries, Weber offers product solutions that meet the specific needs of local markets, as well as a range of local services.

The Activity comprises three business lines:

- industrial mortars, marketed under the Weber® global brand;
- expanded clay aggregates, mainly sold under the Leca® brand;
- site and plant equipment, supplied through m-tec®.

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

- 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;
- the lineup is supported by a full range of services that include classroom theory and onsite training for contractors and specifiers.

(1) Source: Saint-Gobain.

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 lineup also includes technical products for high traffic areas such as shopping malls, which are designed for rapid installation to keep downtime to a minimum, and solutions to meet 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 aggregates for use in road construction and civil engineering projects as well as in light concrete and mortars to improve insulation performance and reduce the weight of materials handled and used on construction sites. Clay aggregates are also highly suitable for fast growing emerging markets, such as solar power plants and green roofs.

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

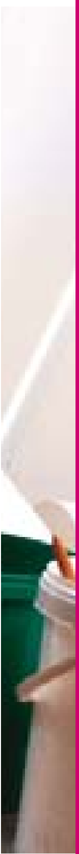
Lastly, a range of additives is marketed in the Middle East to meet growing demand for construction industry demand for concrete with improved technical properties.

Construction Products

Businesses and Products	Main Applications	Main Competitors	Competitive Ranking[1]
GYPSUM			
• Plasterboard • Plaster: construction plaster and other specialty plasters • Fastening systems • 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 • Stone wool • Ultimate® mineral wool • Expanded polystyrene foam • Extruded polystyrene foam • Hemp insulation	• 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 and household appliances • 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 • No. 1 in Europe in airtightness solutions • No. 1 in Europe in expanded polystyrene foam
EXTERIOR FITTINGS			
• Siding • Vinyl fences, decks, railings • Asphalt roofing shingles	• Single-family homes • New construction, repair and renovation markets	• Owens Corning (United States) • GAF (United States) • Trex (United States) • LP (United States) • Ply Gem (United States) • James Hardie (United States) • Tamko (United States)	• No. 2 in the United States for siding • No. 3 in the United States for roofing shingles
PIPE			
• Complete pipe systems in ductile cast iron, fittings and accessories • Ductile cast iron and steel manhole covers • Complete cast iron wastewater and rainwater drainage systems for buildings	• Drinking water systems • Irrigation systems • Sewage systems • Fire hydrantss • Wastewater and rainwater drainage for buildings • Utility access (manhole covers)	• Xinxing (China) • Electrosteel (India) • Jindal (India) • US Pipe (United States) • Mac Wane (United States) • Kubota (Japan) • Duktus (Germany) • East Jordan/Norinco (United States/France) • Wavin (Netherlands) • PipeLife (Austria)	• World leader in ductile cast iron pipe systems • European leader in ductile cast iron municipal castings • European leader in cast iron systems for wastewater and rainwater drainage for buildings
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 • Lightweight blocks • Civil engineering and highway bedding solutions	• BASF (Germany) • Mapei (Italy) • Sto (Germany) • Materis (France) • Sika (Switzerland) • Baumit (Austria) • Ardex (Germany)	• World leader in industrial mortars

(1) Source: Saint-Gobain.

BUILDING DISTRIBUTION



With a network of around **4,100** sales outlets in **26** countries, Saint-Gobain's Building Distribution Sector is Europe's leading distribution network of building materials, the No. 1 European[1] distributor of plumbing, heating and sanitaryware products and the No. 1 tile distributor in the world. It serves the new building, renovation and home improvement markets.

After a period of growth marked by a number of acquisitions, mainly in Europe, the Building Distribution Sector reacted to the economic crisis by consolidating the integration of new companies and furthering its sales and operational drives.

The Sector's strategic priorities are those of a leader: to be at the forefront of innovation to offer customers the best service and added value, to promote the most efficient solutions to increase the energy efficiency of new buildings or buildings to be renovated, strengthen its networks and logistics, and invest in its teams' development.

(1) Source: Saint-Gobain.

A network of strong and complementary trading brands...

The Building Distribution Sector targets tradesmen, small and medium-sized enterprises, DIY enthusiasts or large companies via a network of strong and complementary trading brands either generalist or specialist. Rooted in its local market, each brand has a unique position to meet the specific needs of each type of customer and market. Together, they contribute to the Sector's overall sales effectiveness. The Sector deploys best practices in all its host countries, while maintaining a high level of responsiveness to the local market. This nimble, proactive organization makes it possible to provide a product offer that caters to a variety of businesses and meets a wide range of expectations in terms of products, styles, services and trends.

... mainly in Europe...

In France, Point.P Matériaux de Construction is the generalist brand of the Point.P group, the leading[1] building materials' distributor. The Point.P group mainly targets building professionals via a range of generalist and specialist brands. With a network that covers the whole of France and serves the new building and renovation markets, it provides a complete range of energy efficient solutions.

Lapeyre, the main brand of the Lapeyre group in France, Switzerland and Belgium, is specialised in home improvement through its different areas: fittings, bathroom, kitchen, joinery and floor. It offers bespoke services to its customers. Both a manufacturer and distributor, the Lapeyre group works on the renovation and new building markets.

In the United Kingdom, Jewson is the generalist brand of Saint-Gobain Building Distribution UK & Ireland, the leading[1] supplier of timber and building products. SGBD UK & Ireland mainly targets small and medium-sized enterprises and tradespeople. Its network is made up of a portfolio of generalist and specialist brands serving the new building, renovation and durable home improvement markets.

In Germany, Raab Karcher is the generalist brand of Saint-Gobain Building Distribution Deutschland GmbH. A leader on the country's building materials distribution market[1], its network is made up of complementary generalist and specialist brands to meet the needs of all types of customers, markets and projects. The Raab Karcher brand also operates in the Netherlands, Poland, Hungary and the Czech Republic.

In the Nordics, Dahl, n°1 distributor of plumbing, heating and sanitaryware products[1], and Optimera, a major player in the distribution of building materials, are the main brands of Saint-Gobain Distribution Nordic. They serve the new building, renovation and sustainable solutions markets.

Lastly, in Southern Europe, the Sector is present in Spain, Portugal and Italy through a network that includes generalist brands as well as brands specialized in interior fittings, tiles, and plumbing-heating-sanitaryware solutions.

... 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 markets exterior building products such as siding, windows, roofing, and doors, while Meyer Decorative Surfaces offers laminate and related products to the kitchen and bathroom furniture.

The Sector is represented in Brazil by Telhanorte, a builders' merchant specialized in home improvement and more particularly, tiles, bathrooms and kitchens, and by Center Líder, a tiling and sanitary products specialist. In Argentina, Barugel Azulay is a distributor of sanitary, tiling, kitchen, and wooden floor.

Lastly, the Sector is present in China via La Maîson Arting, which specializes in decoration services and home improvement.

Customer-focused innovation

The Building Distribution Sector's success stems not only from its extensive network, but also from its innovation capabilities. It plays a vital role in helping contractors understand and embrace new building renovation techniques, as trends change and new markets emerge.

Always on the look-out for customer's latest requirements, the brands are constantly looking for new solutions to give customers a professional solution, the relevant expertise and an increased added value. This is reflected in products and services, sales concepts, showrooms, training centers, practical guides, professional advice and logistics.

Pooling resources to strengthen each brand's position

Through sharing experiences between its brands, creating synergies and putting the customer at the heart of its strategy, the Building Distribution Sector intends to get the most from its size and diversity, as well as its teams' experience and their ability to react on a local level.

(1) Source: Saint-Gobain.

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 • House fittings: fitted kitchens and bathrooms, interior fittings, doors and windows, wall and floor coverings, plumbing-heating and sanitaryware solutions	• Wolseley (United Kingdom, France, Nordic countries) • CRH (United Kingdom, Netherlands, France, Switzerland, Germany) • Travis Perkins (United Kingdom) • SIG (United Kingdom, France, Germany, Netherlands, Poland) • Grafton (United Kingdom, Ireland)	• No. 1 in Europe building materials distribution network • No. 1 in Europe on the plumbing, heating and sanitaryware market • No. 1 in the world in tile distribution

(1) *Source: Saint-Gobain.*

PACKAGING VERALLIA

Ranking No. 2 worldwide[1] in glass containers, the Packaging Sector, operating under the Verallia brand, leverages its teams' commitment, its highly professional sales organization in **46** countries and its manufacturing facilities in **13** countries to offer a range of solutions tailored to local market needs.

Verallia offers its **10,000 customers** a powerful global network comprising six R&D centers, **47** glass plants and **96** glass furnaces, combined with a strong local marketing presence in what is still an essentially regional market.

Employing nearly **15,000** people, the Sector produced around **25 billion bottles and jars in 2010**, mainly wine, champagne and spirits bottles and food jars (used for soluble products, yogurts, desserts, etc.) – markets where Saint-Gobain is the world leader[1] – as well as bottles and jars for such products as fruit juice, soft drinks, mineral water and oil.

(1) Source: Saint-Gobain.

In 2010, Verallia 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 recession, it also kept up its capital expenditure programs to upgrade facilities and constantly improve product quality.

Verallia 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 an economic environment that remained challenging, one of Verallia's main objectives in 2010 was to improve industrial performance. A wide-reaching manufacturing excellence program was deployed at all the Packaging facilities to lift workforce performance, reduce costs, generate efficiency gains and improve workplace health and safety. The demanding program was implemented and tracked by teams of specialists. It was backed up by a cross-functional cost reduction program, as well as by targeted initiatives.

Verallia 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. Research into the entire product life cycle obviously includes recycling, as glass can be recycled indefinitely. Verallia's efforts were recognized once again by the United States' Environmental Protection Agency, which named Saint-Gobain Energy Star Partner of the Year for the second year in a row.

The programs have enhanced the flexibility of Verallia's plants and further improved the quality and creativity that its customers – whether multinationals or smaller, local firms – have come to expect of its products. As a result, Verallia 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.

RESEARCH AND INNOVATION

Maintaining and developing our assertive commitment

Five years on

One of the Board of Directors meetings in 2010 was partly dedicated to innovation and provided an opportunity to review the action plan initiated five years ago. The actions recommended at the time to significantly increase internal growth included more effectively leveraging technological synergies between businesses, improving project management methodology, investing in research capabilities in Asia, enhancing cooperation with external partners, stepping up efforts to protect industrial property rights, investing more heavily in strategic segments like energy and shortening project development times. A significant increase in capital expenditure, of around 10% per year for several years, was authorized to achieve this. Five years later, the progress made in all of these areas is evident. In particular, a new organizational structure has gradually emerged, bringing with it a genuine change in the corporate culture.

The main objective behind Saint-Gobain's research efforts is to enhance the Group's competitiveness and drive internal growth. To achieve this, many of our programs focus on continuously improving our existing product range, in line with the needs of existing markets. A large part of the resources deployed are needed to consolidate and confirm our global leadership positions[1] and to overtake our main competitors in markets where we are currently lagging behind. However, this is not enough. We also need to support Saint-Gobain's growth in emerging markets, by offering solutions tailored to their specific needs, and we also need to target new markets. A significant portion of the resources has been allocated to this objective, which is supported by a dedicated organization.

Seven strategic programs have therefore been developed to help Saint-Gobain achieve its goal of conquering new markets. Most of these programs correspond to a portfolio of projects that serve a single market but often cover several business lines.

The Group's research center in Shanghai, its first in the region, has enabled Saint-Gobain to develop solutions that meet the specific needs of Asian markets. The products developed for this purpose include very large, thin grinding wheels and grinding wheels made from garnet.

The introduction of a project management methodology (the Stage Gate procedure) and a portfolio management methodology (using Sirius) means that research efforts can now be tracked in a more disciplined manner. The creation of nine cross-functional programs has led to the emergence of latent strengths in key technologies. Program leaders coordinate multi-disciplinary technological communities and ensure that research projects benefit from synergies between the businesses.

The four cross-functional research centers enhance this dynamic, creating a melting pot of technological solutions.

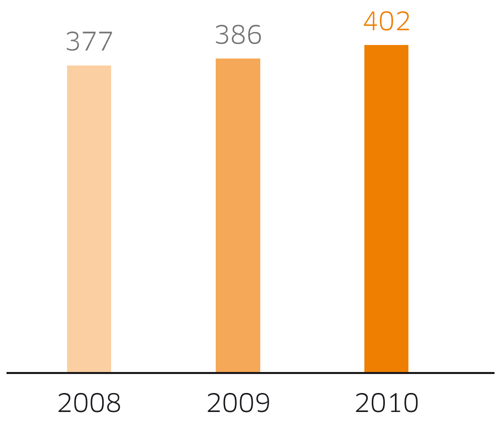
The Techno-Marketing and NOVA teams and the Saint-Gobain University Network help to monitor and leverage innovations from outside the Group.

The introduction of cross-functional organizations for each country has strengthened ties with marketing, particularly in the habitat industry, leading to the emergence of a unique model for innovation in this area. Once a specific need has been identified locally and validated by marketing, we quickly mobilize our capabilities to devise the appropriate product or solution. Global, cross-business innovation resources enable a prompt response, which can then be deployed internationally by the marketing team and adapted, if necessary, by the research and development department.

Progress in all of these areas was made possible by a significant increase in our research budget, which rose to more than €400 million in 2010 from €312 million in 2004. The nearly 30% increase primarily occurred between 2005 and 2008, but research efforts continued over the past two years, despite the recession. Our patent filings jumped to nearly 400 in 2010 from 260 a year in 2004-2006.

(1) Source: Saint-Gobain.

Research & Development Budget (in € millions)



Strategic Programs

Solar power remains the No. 1 research avenue, representing close to €30 million in R&D expenditure, which is nearly 25% of the Flat Glass Division's R&D budget. Present across the entire photovoltaic value chain, Saint-Gobain conducts research and development activities in all areas, from components to modules and systems. While not proportional to sales, research expenditure in this area is strategic in anticipating trends in a fast-growing market. Significant progress has already been made on SolGel anti-reflective products for Albarino© (on the market) and Diamant©, which have been well received by customers. Commercial development has begun for both concentrating mirrors and Avancis photovoltaic modules. Work is currently focusing on the development of lighter, third generation modules that do not require an aluminum frame. In the area of photovoltaic systems, the multi-rail solution has been developed and the first installations have been carried out by Saint-Gobain Solar Systems.

In the area of **lighting**, considerable technical progress has been made on several projects, particularly on research into substrates for light-emitting diodes (LEDs). A new generation of sapphire substrates is expected to come to market in the near future. The project is in its final pilot test phase and should be ready for commercial scale-up by the end of 2011. Substantial progress has been made in the organic light-emitting diode (OLED) project, with the development of Silverduct technology that uses two layers of silver. Efforts to integrate lighting solutions into building materials produced by the Group focused on the use of LEDs in ceilings. A prototype integrating LEDs into plasterboard was developed by Castorama and a possible market launch is scheduled for 2012.

Technical progress was made in the **fuel cell** project. The coming months will show whether the ceramic fuel cell technology developed by Saint-Gobain can deliver on reliability.

The management of research projects on **active glass** was improved greatly by the creation of a dedicated organization called Quantum Glass.

An agreement signed with US firm SAGE and recent technical advances marked the beginning of commercial scale-up of electrochromic glass technology.

A plant will be built in the United States to produce more than 370,000 square meters of large format electrochromic glass. This world first reflects more than ten years of research and a portfolio of more than 100 patents.

In the **high-performance insulation** program, three years of exploratory research led to two ambitious projects – the development of first-generation insulating mortars in Spain, scheduled for mid-2011, and an even more high-performance second generation, expected in early 2012. A project to develop a mineral insulation board offering unequaled performance also began during the year and Phase 2 is scheduled to start in early 2011. New materials are also being tested and the promising results obtained clearly indicate that there is further potential for technological innovation.

Following a survey commissioned by the Corporate Marketing Department, a series of projects have been launched in the area of **external wall insulation systems**, a priority focus of the habitat innovation strategy. The projects target two specific markets – external thermal insulation and ventilated walls.

In the program aimed at improving the **energy efficiency** and environmental performance of our manufacturing processes, a number of projects have moved forward. Major improvements have been made in technologies developed for submerged combustion burners in melting furnaces, following conclusive tests in Renedo, Spain and two successful rounds of tests at the SGR research center in Aubervilliers, France.

Two projects are being conducted to improve processes in the Insulation Division, one relating to the production of rock wool and the other to the recycling of glass wool waste. Industrial trials have confirmed that flameless combustion technology can reduce NOx emissions and improve the energy efficiency of glass furnaces. Targeting the production of glass bottles using biogas, the Biovive project has been ramped up and a variety of technologies are being explored in France and Germany.

Headway has been made in three projects relating to the production of silicon carbide. Several avenues for improving the existing Acheson process have been identified and potential new processes are also being explored.

After an exploratory review of Saint-Gobain's needs and the technological possibilities, the **green chemistry for building materials** program has been reclassified as a cross-functional program. Launched in late 2010, it is currently being restructured. The research undertaken in recent years on green binding agents has opened up some very promising avenues.

Cross-functionality and ties with Marketing

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
8. Green chemistry for building materials
9. Fire-resistant materials

The aim of cross-functional programs is to transfer the scientific and technological skills developed in other businesses to the habitat and construction markets. Through our cross-functional research centers, new capabilities have emerged. For example, thanks to the creation of a Gypsum (Formula) team at the CREE research center in Cavaillon, France, the CREE and SGR research centers now have expertise in plaster. Expertise in cement formulation is now well established at the SGR research center and is used by various divisions and entities, including the Industrial Mortars and Pipes Divisions, CertainTeed and Point.P. A project carried out at the research center in Shanghai for the Industrial Mortars Division has enabled the development of a specific flooring product for the Chinese market. This reflects Saint-Gobain's longstanding expertise in grains, powders and ceramics, which is particularly useful for the formulation of plaster and mortars.

Strong ties between the Research and Marketing teams are a constant source of progress. To ensure coherence, research projects are guided by the surveys undertaken (see insert).

To achieve the Group's goal of strengthening its ties with US startups, NOVA decided to invest in Phoenix Venture Partners, a US investment fund that targets small business likely to be of interest to large companies. A new team member was hired in the United States for this purpose. The presence of three Scientific Directors at each cross-functional research center has significantly strengthened our ability to implement and monitor projects across various centers. Our recruitment capabilities in North America have also improved, thanks to our strategy of forging partnerships with leading US universities.

Outlook

Aside from the challenges targeted by our cross-functional programs, developing a habitat innovation model remains our priority. While some examples have already emerged, our goal is to create a whole new corporate culture. Working with the Corporate Marketing team and the various divisions, we need to leverage the global, cross-functional organization described above to increase the number of successful solutions developed to meet local needs. To achieve this, the cross-functional team in Northboro (United States) will broaden its scope, cooperating for example on projects for the habitat market for CertainTeed and other Group businesses.

Following the measures taken to streamline the projects underway and improve their management, new projects need to be found by strengthening exploratory research in existing areas and by identifying new target segments. Energy storage, for example, is an extremely interesting area for Saint-Gobain. Waste management, recycling and eco-design have been identified as the priority focuses of our sustainable habitat strategy (see insert). The Research team must therefore develop new solutions to strengthen the Group's position in these areas.

The use of virtual reality in construction-related businesses has taken off rapidly, supported by input from the Marketing teams in the Building Distribution Sector and several industrial divisions. The next step is to develop new tools to facilitate ties between research and marketing and to strengthen our capacity to innovate.

In 2011, Saint-Gobain's first innovation center will open in France. Construction work is already underway and is scheduled for completion in the summer.

EXTENDING THE SCOPE OF VIRTUAL REALITY BEYOND COMMUNICATION

Launched at the SGR research center in 2009, the Group's virtual reality activities took off in 2010 and will continue to grow strongly in coming years thanks to several pilot projects that concern a number of the Group's businesses. The aim is to create new support media for external communication and training, and for exploratory research projects.

Three solutions are being implemented to demonstrate the possibilities offered by these new capabilities and to help develop and promote our systems:

- **digital images** to illustrate active glass for automotive and home building applications, to render glass facades and exterior thermal insulation, to develop lighting systems such as lighting boards and ceilings, and to create digital catalogues for Point. P and Lapeyre;
- **virtual reality** in the stricter sense, with Placoplâtre's Tactis on application, which is awaiting certification by France's Centre Scientifique et Technique du Bâtiment (CSTB), a training tool for the installation of external thermal insulation composite systems (ETICS) by Weber,® and an application for visualizing the results of thermal simulations, which help to assess comfort levels;
- **augmented reality**, with an intelligent catalogue for Lapeyre and a quality control tool for the installation of external thermal insulation composite systems (ETICS) for Weber, for which a patent may be filed.

The space dedicated to virtual reality activities at the SGR research center will be expanded in 2011, strengthening the Group's capabilities in this area by enabling the integration of results from cooperation with external partners and the faster, more direct creation of prototypes in a more confidential environment. The activity will also be supported by the implementation of results presentation systems tailored to the various projects.

OUR SUSTAINABLE HABITAT STRATEGY

The concept of sustainability is shaping the way the building industry evolves. Today, energy efficiency, the optimization of natural resources, user health and safety, and accessibility at all levels of development are issues that must be addressed. The regulatory environment and the needs of market operators are changing rapidly, both in mature markets and in a number of emerging markets.

Saint-Gobain's ambition to become the benchmark in sustainable habitat solutions provides structure for its seven strategic research programs.

Two of the three priorities targeted by Saint-Gobain's cross-functional sustainable habitat strategy, launched in October 2010, are areas in which research can deliver new methods and solutions that will enhance the Group's competitive edge. The goal of eco-design is to reduce the environmental and health impacts of our processes and solutions, from the drawing board to the end of their life cycle. Improved management of production waste, as well as of construction and demolition site waste, should help us optimize these processes and provide effective services for customers.

Life cycle assessments are a fundamental resource in these two areas. But, most importantly, a cultural change is needed and the new innovation-based dynamic must be embraced by all.

AN INNOVATION CENTER IN FRANCE

One of R&D's main aims is to ensure that research is aligned with business objectives and market expectations, a prerequisite for an innovation strategy that continuously responds to clearly identified needs and effectively anticipates future trends.

Designed jointly by the Research and Marketing teams, Saint-Gobain's innovation center will serve as a constantly evolving forum forkey players in the habitat industry, including architects, economists, design firms, building owners and industrial and academic partners. The idea is to create an attractive, comfortable and efficient workspace to showcase the expertise of Saint-Gobain's various businesses and present the solutions developed, but also to nurture a better understanding of the needs of these stakeholders and work with them to jointly develop the most effective solutions.

Through a variety of sensory experiences, the innovation center will encourage dialogue around the main functions targeted by Saint-Gobain materials – thermal and acoustic insulation, light transmission and esthetics –to demonstrate the significant role played by materials in determining a building's level of comfort. Models, a 3D movie theatre, virtual reality tools and a vast solutions library will be used to exhibit the solutions currently offered by Saint-Gobain as well as those still under development. Modular meeting rooms and event spaces will enable the Group to build a constructive dialogue with visitors.

Work began in November 2010 to transform bay 19 of the "Saint-Gobain Recherche" research center in Aubervilliers into an energy-efficient building. The transformation is scheduled for completion in summer 2011.

SUSTAINABLE DEVELOPMENT

SUSTAINABLE DEVELOPMENT, AN INTEGRAL PART OF THE GROUP'S STRATEGY

Sustainable development is an integral part of our business here at Saint-Gobain. As the leader(1) in the habitat and construction markets, we offer innovative and effective solutions to the challenges of saving energy and protecting the environment. These 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.

Our research and development teams are working on further energy-saving solutions for the future, such as more energy-efficient lighting systems, active glass and high-performance insulation.

This strategic positioning requires a sustainable development performance that is 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 social and societal issues in all our business activities.

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

A SUSTAINABLE DEVELOPMENT REPORT

In 2011, Saint-Gobain published a specific sustainable development report based on the Global Reporting Initiative (GRI) indicators. Separate from the annual report, this document can be downloaded from our website at **www.saint-gobain.com**.

Sustainable development guidelines

With a rich history stretching back almost 350 years, Saint-Gobain has based its development on a set of values that inform its daily actions. Since 2003, these values have been spelled out in our shared **Principles of Conduct and Action** which all employees are expected to follow as members of our corporate community.

Principles of Conduct and Action

Five Principles of Conduct: 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 employees.

Four Principles of Action: Respect for the law, caring for the environment, worker health and safety and employee rights guide the actions of all corporate leaders and employees in the performance of their duties.

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

Our international commitments

By joining the United Nations Global Compact in 2003, we confirmed our commitment to sustainable development in line with our Principles of Conduct and Action. In January 2009, the Group took its commitment to the UN Global Compact a step further by endorsing the *Caring for Climate* statement and the *CEO Water Mandate* for water resource protection as part of the UN's Millennium Development Goals. This commitment was deepened on December 10, 2008 – the 60th anniversary of the Universal Declaration of Human Rights – with the signature by our Chief Executive Officer of the declaration of management support for human rights, an initiative organized by the United Nations.

(1) Source: Saint-Gobain.

Our sustainable development strategy

We have set the ambitious goal of becoming the benchmark in sustainable habitat solutions. This means offering solutions that help make buildings more energy efficient and environmentally friendly, while providing even greater comfort and quality of life. It also means walking the talk in the business, environmental, social and societal aspects of sustainable development.

In practice, this ambition breaks down into clear objectives:

- increase the portion of our sales generated by energy-saving, environmentally sound solutions to 38% in 2015 from 32% at present (excluding Verallia);
- invest heavily in solar projects, with the goal of generating €2 billion in net sales from solar applications in 2015;
- continue to reduce the environmental footprint of our sites and to deploy cross-functional policies on water use, forests, biodiversity, eco-design, waste management and other issues;
- further enhance safety and the integration of industrial health and hygiene across the value chain;
- in the area of human resources, promote openness and diversity, social dialogue and professional development;
- adopt a responsible approach while doing business and develop local territories;
- implement societal programs that are aligned with our strategic positioning.

Meeting these objectives requires raising broad awareness of sustainable development issues among employees and, more generally, among stakeholders.

Stakeholders

Our approach is directly shaped by the sustainable development issues that face our businesses, on both a global and local level.

Taking these issues into account encourages greater innovation, commitment, solidarity and value creation for the organization and our stakeholders.

- Environmental challenges: Addressing climate change, reducing industrial emissions, protecting natural resources and conserving ecosystems are all issues that Saint-Gobain, as a responsible corporate citizen, has integrated into its manufacturing and distribution processes.
  The need to reduce the worldwide environmental impact of construction is a core part of our strategy, as it drives development of sustainable habitat solutions.
- Social challenges: In the current socioeconomic environment, the job market, employee skills development, a safe and healthy workplace and the existence of open employee dialogue are key concerns. For this reason, one of our chief aims is to unite and motivate employees, recognize and reward their achievements and nurture diversity as an equal opportunity employer.
- Societal challenges: Local development, the availability of decent housing, and access to water and energy are major societal needs that Saint-Gobain addresses through its involvement in local communities.

Our guidelines

We have formally defined what we need to do and who we need to be if we are going to meet the expectations facing our businesses with regard to economic development, environmental challenges and social commitment.
Briefly put, we are committed to being:

- a solutions provider that contributes to its customers' business performance, helps to improve the environment and enhances users' comfort and well-being;
- a responsible business actor that invests locally, designs, manufactures and distributes in an environmentally respectful way, and takes care of its employees;
- a socio-economic stakeholder that contributes to global economic growth, is committed to meeting the major environmental challenges of its time and takes on today's social challenges.

Rigorous environment, health and safety (EHS) standards and recommendations

Saint-Gobain has drawn up various standards and recommendations to support the implementation of EHS principles. These standards and recommendations were developed in response to specific EHS concerns. The standards require employees to implement a uniform risk assessment method to control risks, ensuring that the same preventive measures are used across the Group, regardless of the country or local legislation concerned.

EHS management and supervisory resources are also provided to help sites develop their own EHS practices, in line with Group policy.

- A coordinated network of expertise

The EHS structure is matrix-based, mirroring the organization of Saint-Gobain itself. Its activities are coordinated by a central department.

- An efficient management method

The World Class Manufacturing (WCM) approach is a structured industrial excellence method that has proven effective in the areas of safety, quality and productivity. Over 90% of our manufacturing sites will have adopted the WCM method by 2015.

- Accurate EHS reporting

Since 2004, the Group has used a centralized EHS reporting system known as Gaia.

- A comprehensive audit system

Our audit system is based on the EHS and self-diagnostic audits initiated by the EHS department and self-assessment questionnaire introduced by the Internal Audit and Internal Control Department.

A forward-looking human resources policy

Our human resources policy is based on a longstanding tradition of respect for employees, social dialogue with our partners and internal promotion. These policies leverage shared values, described in the Principles of Conduct and Action, that all team members are expected to embrace. They also reflect a series of guidelines on hiring, training, skills development, career management and working conditions. These guidelines are set by General Management and apply to everyone in our corporate community.

In the interest of enhancing its reputation and attractiveness to both current and potential employees, the Group aims to raise the visibility of the Saint-Gobain name to establish its image as a good employer, so that our values, history and professions are better understood by future hires. Internally, a good employer image will build loyalty and motivation among employees, who may in turn become the organization's best ambassadors. This approach is an integral part of our sustainable habitat and construction strategy, and will further enhance its value.

Our innovative solutions are the work of our employees, who are given every opportunity to find professional fulfillment and acquire new skill sets and tools. Our human resources policy seeks to guide employees on their career paths within the Group by contributing to their professional development and being open to all types of diversity. Human resources management is broadly decentralized, with representatives acting at the local level to promote a decisively multicultural, international approach.

CHALLENGES, ACHIEVEMENTS AND OUTLOOK

The table below presents a broad outline of the Group's sustainable development challenges, as well as actions taken and future initiatives. It is followed by a summary presentation of our sustainable development indicators.

Environment

Challenges	Action taken	Outlook and future initiatives
Reduce CO_2 emissions:	• Development of a Group-level carbon assessment method • Carbon emissions assessments launched in manufacturing subsidiaries in France in 2009, in line with future regulations • Introduction of a Sustainable IT Charter	• Worldwide deployment of carbon assessments at the Group's main subsidiaries • Using 2010 emissions as a base, a target of 6% reduction in emissions at concerned sites by 2013 (see reporting methodology)
- 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	
- With our products	• Construction industry: insulation products • Renewable energies: photovoltaic panels, etc. • Vehicles: automobile glass, lighter auto body parts, etc.	• Research and development of new products
- 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	• 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 • > First buildings certified to CARE:4® standards • > 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)	• Development and deployment of CARE:4® action plans (renovation, etc.) in each Sector
Reduce atmospheric emissions of NOx, 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 energy source • Combustion settings for glassmaking furnaces • Ongoing installation of electrostatic precipitators in the Flat Glass Division	• Ongoing installation of equipment solutions that reduce NOx emissions • 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	• Target of 6% reduction in water withdrawals by end-2013 at concerned sites, based on 2010 production output • Establishment of a Water Policy
- Wood	• Environmental policy applied to wood for the Building Distribution Sector • Nearly 80% of wood product purchases sourced from certified forests • Development and deployment of a pilot biodiversity project in the Gypsum Division	• Deployment of an environmental policy on wood in all Group companies, including those in the industrial Sectors • Inventory of biodiversity priority areas for each Division
- Silica, iron ore, gypsum	• Recycling of secondary raw materials • Design of lighter products	• Improvement of secondary raw materials recycling through the deployment of a new policy for managing process, construction and demolition waste
Awareness - raising initiatives	• Founding members of dedicated organization (creating labels) • Information and training for contractors and other professionals • Group-wide celebration of International Environment, Health and Safety Day	• Continuation of internal and external awareness-raising campaigns
Limit the environmental footprint of our products	• Incorporation of an EHS procedure in R&D projects • Shared methodology for assessing and communicating life-cycle assessments for all construction products • Systematic life-cycle assessments for all construction product lines	• Research and development of new products • Life-cycle assessments for all construction and solar product lines by end-2013 • Development of an eco-design policy for construction products
Waste management	• Reuse and recycling of raw materials • New avenues for reuse of waste in new materials, in products or as energy • Deployment of initiatives to meet a target of zero non-recycled waste	• Target of 6% reduction in landfill waste disposal by end-2013 at concerned sites, based on 2010 production output • Improvement of secondary raw materials recycling through the deployment of a new policy for managing process, construction and demolition waste

Environmental actions are undertaken as part of a policy of continuous improvement. The aim is to extend ISO 14001 certification to over 90% of concerned sites during 2013.

Social and societal

Challenges	Action taken	Outlook and future initiatives
Health and Safety: - Workplace safety	• Intensified 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 six safety standards: working at height, control of contractors, work permits, lock out/tag out procedures, machine and forklift safety • End of roll-out and continued application of Safety MAnagement Tool (SMAT) system	• Closer cooperation on safety issues with employee representatives through the European Social Dialogue process • 2013 targets: lost time incident rate (LTIR) of 5 for the Building Distribution Sector and a total recordable incident rate (TRIR) of under 6 for the industrial Sectors and of below 2.8 overall. These indicators concern employees and temporary staff • Launch of three new safety standards in 2011 – on confined spaces, vehicle and pedestrians, and warehouses and loading – and three in 2012 – on electrical safety, lifting equipment and personal safety equipment (PSE) • Deployment of the Environment, Safety and Risk Prevention audit in the Building Distribution Sector • Update of EHS audit system for small manufacturing sites • Enhanced tracking of temporary staff and subcontractors • Dissemination of critical EHS standards: best practices for training new hires
- Ergonomics	• Deployment of a method for identifying risks related to handling, lifting and workstation posture • Distribution of a training kit on the Posture Lifting Movement (PLM) method recommended by Saint-Gobain	• Deployment of a program to reduce risks associated with musculoskeletal disorders (MSDs), in liaison with the Delegations
- Noise	• Rollout of NOS (Noise Standard)	• Action plan to reduce noise exposure at the sites concerned • Project to improve the reliability of NOise Standard (NOS) reporting
- Chemicals	• Rollout of the Toxic Agents Standard (TAS) and implementation guidelines • EU REACH directive: creation of a dedicated network, development of IT resources, update of substance inventories in Europe for the November 30, 2010 deadline, distribution of information to our suppliers on how we use chemicals, compliance with rules concerning substances included in the Candidate List of Substances of Very High Concern (SVHC) • Addition of a REACH clause in all purchasing contracts	• Starting in 2011, deployment of an online platform for the Toxic Agents Standard (TAS), comprising the toxic substance inventory required under REACH and the risk assessment application • EU REACH directive: REACH compliance monitoring and updating in preparation for upcoming deadlines • Deployment in R&D centers of training programs on integrating EHS risk criteria into R&D project management
Human resources planning and development: - Hiring	• Ongoing efforts to strengthen local ties with schools and universities	• Development of the pro-diversity hiring policy
- Managerial culture	• Campaigns to raise awareness among all managers on managerial attitudes	• Continuation of campaigns to raise awareness among all managers about managerial attitudes
- Training	• Inclusion of a "Habitat" approach in management training • Introduction of a new Advanced Management Program for senior managers • Deployment of FIND new hire induction programs • Deployment of the EHS training matrix in the Delegations • Fine-tuning of specific training programs (WCM, supply chain, etc.) for the various skill-sets • Online training: Creation of a correspondent network in each Delegation, rollout of the multilingual Adhere training module to all management teams worldwide	• Further re-focusing of training programs on sustainable habitat and construction development, particularly at the Management School • Introduction of a new training program for senior managers • Steps to make the Group's Management School training programs available to everyone in all host countries • Fine-tuning of specific project management and other training programs for the various skill-sets • Online training: launch of two new modules on diversity and sustainable habitat and construction • Forging of partnerships with local universities in emerging markets
- Career planning	• Deployment of capabilities management and succession planning resources • Systematic use of a standardized form for annual performance reviews	• Development of mobility, particularly between the Group's different skill-sets and businesses • Awareness-raising among managers about Generation Y characteristics and expectations
Motivation	• Employee share ownership: adjustment of the top-up system to make it more advantageous for the lowest wage categories	• Employee share ownership: continued implementation of actions encouraging share ownership in the lowest wage categories, in particular through the top-up system
High quality social dialogue	• Collective agreement on preventing and managing stress in the workplace • New supplemental health care for employees in France • Measures to maintain active social dialogue	• Deployment of the agreement on preventing and managing stress in the workplace • Negotiations on diversity • Steps to achieve convergence for health care coverage in host countries • Support employee representation arrangements

Challenges	Action taken	Outlook and future initiatives
Diversity	• Continued efforts to increase the proportion of women managers • Ongoing deployment of the policy to include disabled persons in the workforce • Implementation of agreements to give seniors better access to jobs	• Continued efforts to increase the proportion of women managers, with the setup of dedicated training, mentoring and career development programs • Ongoing deployment of the policy to include disabled persons in the workforce
Participation in local community life	• Deployment of first projects by the Saint-Gobain Initiatives International Corporate Foundation, signature of 13 sponsorship agreements • Active involvement in the "100 opportunities, 100 jobs" campaign to help disadvantaged young people enter the workforce	• Launch of an internal communication campaign about the foundation • Development of initiatives to facilitate job access for the long-term unemployed

Business practices

Challenges	Actions taken	Outlook and future initiatives
Responsible purchasing	• Systematic distribution of the Purchasing Charter, Suppliers' Charter and supplier self-assessment questionnaire • Inclusion in all framework agreements of responsible purchasing clauses • Awareness-raising and training for purchasing officers • Development of purchases from the social economy	• Setup of a responsible purchasing organization made up of a network of buyers located in different countries around the world • Launch of a supplier audit campaign • Deployment of related training initiatives, including seminars and online training programs • Development of purchases from the social economy
Compliance program	• Introduction of a Group compliance program based on four pillars: responsible development, competition law Plan, the internal control and audit and a compliance alerts system • Responsible development: worldwide deployment of a distance-learning module for managers on the Principles of Conduct and Action, with 18,000 managers trained thus far • Competition law plan: introduction of a second on-line training campaign on competition law for all managers; continued unannounced audits • Compliance alerts system deployed in 62 host countries • Deployment of an organization with compliance correspondents and committees in the Delegations and a Group compliance committee reporting to the CEO	• Responsible growth: extension to non-managers of the distance-learning module on the Principles of Conduct and Action, and design of a specific module for purchasing managers; global organization of Principles of Conduct and Action Day • Competition law plan: deployment of the second on-line training campaign on competition law for all managers; continued unannounced audits • Compliance alerts system: complete deployment • Standardization of corruption prevention strategies used in the different Divisions and Delegations

KEY INDICATORS

The indicators presented in this section and the method used to collect and consolidate the underlying data are described in the Sustainable Development Report published for the first time this year by the Saint-Gobain Group.

Social indicators

Indicator	2009	2010
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)	142	156
Lost-time incident rate (LTIR) (more than 24 hours' lost time) – Group	3.8	3.3
Severity rate – Group	0.21	0.21
Lost-time incident rate (LTIR) (more than 24 hours' lost time) – Building Distribution Sector	6.9	5.9
Total recordable incident rate (TRIR) – Industrial Sectors	8.2	6.9
Number of workplace fatalities - Saint-Gobain employees	3	2
Number of Health & Safety-certified sites – comparable scope	267	303
Total headcount	191,442	189,193

Environmental indicators

Indicator	2009	2010
Number of quality-certified sites – comparable scope	740	759
Percentage of concerned sites that are environmentally certified	56%	67.5%
Number of Seveso-classified sites	6	6
Total environmental expenditure	€120.6 M	€128.1 M
Salaries and other payroll expenses for environmental officers	€21.3 M	€22.1 M
ISO 14001 and EMAS environmental certification and renewal costs	€1.9 M	€2.2 M
Environmental taxes	€4.84 M	€5.02 M
Insurance and warranties	€4.86 M	€2.46 M
Environmental fines	€0.35 M	€1.69 M
Cost of environmental incidents	€0.46 M	€0.82 M
Cost of technical measures	€8.1 M	€8.31 M
Environmental R&D budget	€64.2 M	€68.4 M
Soil decontamination, site remediation and other clean-up costs	€14.5 M	€17.1 M
Capital expenditure on environmental protection measures	€47.1 M	€62.21 M
Provisions for environmental risks	€167 M	€174 M

A comprehensive 2010 sustainable development report, prepared based on Global Reporting Initiative (GRI) indicators, is available for download at **www.saint-gobain.com**. The report may also be obtained in paper format from Saint-Gobain's Corporate Communications Department.

2010 MANAGEMENT REPORT

SHARP UPSWING IN RESULTS

Markets and economic environment: a strengthening recovery

In 2010, the global economy started to recover from the crisis but while its health took a positive turn, the vulnerabilities that had caused it to lapse into recession were still not resolved.

On the face of it, the turnaround was spectacular with global GDP expanding 4.7%, a rate that was close to the pre-crisis record of 4.9% in 2007 and in stark contrast to the 0.9% decline in 2009.

The picture was very mixed however. The bulk of growth was achieved in the first quarter, after which a certain degree of inertia set in. In addition, the gap continued to widen between the world's economic powerhouses and the rest of the pack.

Leading the field, the **emerging non-OECD economies** expanded 7% in 2010, far above their long-term (1973-2009) trend rate of 3.8%. In both **South America** and **emerging Asia**, this momentum was driven by the rebound in exports combined with vigorous domestic demand, in a trend that is likely to continue.

Japan boasted 2010 growth of around 4%, underpinned in the first quarter by exports and, to a greater extent, by government incentives that boosted spending on consumer durables.

The **United States** should post growth of roughly 2.9% for 2010. After signs of a loss of momentum in the spring, the economy displayed renewed vigor at the end of the year. The business and consumer-friendly policies of the Federal Reserve and the Obama administration proved effective in unleashing the two main drivers of economic growth, with corporate capital spending stimulated by a return to record earnings, and consumer spending reinvigorated by improved household finances that were less burdened by debt.

In contrast, the **euro zone** trailed behind the world's leading economies in 2010. At 1.7%, growth for the year was satisfactory overall, but it lagged far behind that of other major regions, and was based on a prior-year decline of 4% that signaled the worst recession since World War II. Performance gaps widened further between the countries of the region. With robust 3.5% growth, Germany stayed in the lead and began to rely less heavily on foreign trade to stimulate the economy. In contrast, Greece and Ireland were forced to ask the European Union for help in resolving their sovereign debt crises, and will probably not climb out of depression until 2012. Between these two extremes, slow turnarounds were initiated in other euro zone countries, with France advancing 1.5% and Italy an estimated 1.1%, lifted by household spending and an uptick in exports and corporate capital spending that is expected to continue.

Outside the euro zone, the **United Kingdom** also experienced a gradual upturn, particularly in the manufacturing sector, leading to fledgling improvements in the job market and consumer spending.

Overall, growth seems to be steadily returning, as business and consumer confidence is gradually restored, although the recovery could still be thrown off course by the various obstacles that lie ahead.

In **emerging markets**, particularly **Brazil** and **China**, massive inflows of foreign cash ignited inflationary pressures. The more moderate pace of growth in the second half, combined with monetary policy responses (interest rate hikes, restrictions on foreign capital inflows and other forms of central bank intervention) and budgetary strategies (higher sales taxes) have not as yet relieved these pressures. A price/wage spiral started at the beginning of the year in these markets, which are now caught in a double bind between controlling inflation and keeping the exchange rate in check. Resolving the situation will come at the cost of slightly weaker growth.

The **United States** economy remains dogged by two problems. On the one hand, the job market has barely begun to improve, and on the other, the real estate and construction sectors are still mired in depression.

In **Western Europe**, imbalances within the **euro zone** have intensified, due to the widening gap in economic growth rates between member states and the stalled process of economic convergence that was underway before the crisis took hold. In the **United Kingdom**, the government is taking a gamble that its loose monetary policy will be sufficient to offset the negative effects of the current wave of massive budget cuts.

Habitat and construction

Globally, the habitat and construction industry was heavily impacted by the economic climate in 2010, as in previous years. In **large emerging markets**, where infrastructure and housing development needs are considerable, demand was vibrant – sometimes almost to the point of overheating. Faint signs of improvement were observed in **developed markets** as a whole, but with significant regional variations.

In the **United States**, business picked up in the non-residential segment, but residential construction remained sluggish, with the monthly rate for housing starts at the end of 2010 representing one-quarter the early-2006 record high. Conditions will only improve once the market has absorbed the excess of old housing stock, which is currently still being fed by the high rate of housing foreclosures. Nevertheless, the slight rebound in construction spending at the end of the year is a promising sign.

In Japan, the residential market began a difficult, precarious climb after hitting rock bottom in 2009, but by the end of the year was still a long way from its pre-crisis record highs.

In **Europe**, construction activity was down 3%, on the back of a 9% fall in 2009, with available statistics pointing to wide performance gaps between countries. **Spain** and **Ireland** remained trapped in the crisis, with construction activity down by an estimated 16% and 29% respectively in 2010 (versus 25% and 35% in 2009). Construction markets in **Denmark**, **Portugal**, the **Netherlands** and the **Czech Republic** performed poorly, due to cuts in government grants and lower investor confidence.

In contrast, certain countries such as **Finland**, **Sweden**, **Poland**, the **United Kingdom** and, in particular, **Germany** (which was not caught up in the real estate bubble of recent years) enjoyed a significant return to growth in 2010. **France** was excluded from this group, as the best it could do was to limit the market decline. According to Euroconstruct forecasts, France should join the others in 2011, and the European construction market should begin to stabilize or slightly improve in 2011, with a more pronounced recovery expected in the residential segment, for both new construction and renovation.

Automotive industry

Sustained by substantial government assistance measures, sales continued to improve in 2010 and production followed suit. As in previous years, growth was led by the large **emerging markets**, with vehicle registrations up 33% and output up 29% in **China** over the twelve months to November 30, representing new records. **South Korea** capitalized on vigorous domestic demand and recoveries in neighboring markets to increase its production by more than 15%. **Brazil**, where the market expanded by 7% and output jumped 26%, is on its way to becoming the world's fourth largest automotive market, ahead of Germany.

Boosted by the easy availability of low-interest finance, the **US** automotive market recovered momentum in 2010, with sales of cars and light commercial vehicles up 7% and production up an extraordinary 35.5%.

In **Japan**, government scrappage incentives offered until September and vigorous international demand in the first three quarters led to admirable performances in 2010, with sales up 8.2% and output up 21.5% in the twelve months to end-November. However, the trend reversed in the fourth quarter and 2011 looks set to be more challenging.

In **Europe**, the elimination of scrappage programs sharply impacted the markets. In the **euro zone**, vehicle registrations declined an estimated 7.7% in 2010, after edging up 0.4% in 2009, but production levels held firm just the same.

France, which very gradually withdrew its scrappage incentives, was the only market in the euro zone's top five to effectively limit the decline in sales (down 1.9% in 2010 off of historically high 2009 comparatives). In contrast, sales plunged 22.5% in **Germany**, and fell 8.7% to their end-2008 low in **Italy**, where incentives were terminated in March. In **Spain**, the market collapsed by 40% in comparison to its high point in 2007. A similar trend was observed in the **United Kingdom**, where the early-2010 VAT hike exacerbated the impact of ending incentives in March.

Operating performance

Against the backdrop of a global economy still recovering from the crisis, the Group returned to growth in 2010, reporting a 1.9% increase in like-for-like sales (comparable Group structure and exchange rates). This performance was driven by robust momentum in emerging countries and Asia and by vigorous trading in industrial markets. Construction markets remained rather sluggish on the whole in North America, but improved steadily over the year in both Western and Eastern Europe, and particularly in the UK, Germany and Scandinavia (which represent almost half of the Group's construction sales in Western Europe). Household consumption remained relatively stable over the year.

Overall, the Group reported 1.9% organic growth for 2010, breaking down as 1.0% growth in the first half (positive volume and price impacts of 0.9% and 0.1%, respectively), and 2.8% growth in the second half (with both volumes and prices up 1.4%). Despite severe weather conditions in Europe at the end of the year, organic growth accelerated between the third and fourth quarters, from 2.3% to 3.3%. Sales prices held firm over the year in all Business Sectors, offsetting the rise in the cost of raw materials and energy at Group level.

Against this backdrop, Saint-Gobain resolutely implemented all of its action plan priorities and outperformed each of its targets:

- sales prices were increased by 1.4% in the second half and by 0.8% over the year;
- costs were slashed by €600 million, driving a sharp 40.7% increase in operating income, which came in 15.7% higher in the second half than in the six months to June 30, 2010. The Group's operating margin widened sharply, up to 7.8% of sales from 5.9% in 2009. In the second half, the operating margin came in at 8.1%, outperforming its second-half 2008 level (7.6%), even though sales volumes remained 9.4% below their level in the second half of 2008;
- the Group generated €1.5 billion in free cash flow and further reduced net debt by €1.4 billion, thereby reinforcing its cash resources and strong financial structure.

Performance of Group Business Sectors

- **Innovative Materials** delivered the Group's best organic growth performance, at 12.3%. The Business Sector reported double-digit growth in both the first and second halves of 2010, despite a much tougher basis for comparison over the six months to December 31. Markets related to industrial output confirmed their recovery throughout the year, both in North America and Western Europe. The Sector was also buoyed by very strong 21.6% organic growth over the year in Asia and emerging countries, which represent 37.6% of its sales. Together with the impact of the Group's cost savings programs, this helped drive a steep rise in the Sector's operating margin, which came in at 11.0% compared with 4.7% in 2009. The operating margin for the second half was 11.6% (6.7% in second-half 2009), ahead of the 11.5% achieved in second-half 2008.
- **Flat Glass** reported an 8.4% rise in like-for-like sales over the year, spurred by vigorous growth in Asia and emerging countries (41.5% of Flat Glass sales), as well as the strong rebound in worldwide automotive output. Sales of Flat Glass for the building industry in Western Europe picked up gradually as from the second quarter in Germany, France and Italy, but remained slack in other countries. Sales prices for the Flat Glass Sector as a whole got back on an upward trend in the second half, thanks largely to the increase in commodity prices (*float* glass) in Europe. All of these factors, together with the cost savings achieved, pushed the operating margin up to 8.4% of sales (9.0% in the second half and 7.8% in the first), far more than double the figure for 2009 (3.4% of sales).
- **High-Performance Materials (HPM)** like-for-like sales surged 17.9% over the year and 16.8% in the second half. Overall, industrial output and capital expenditure remained upbeat throughout the year, significantly picking up pace in both Western and Eastern Europe during the second half. Consequently, although HPM like-for-like sales remained below their pre-crisis level, upbeat sales prices and fixed cost savings provided the operating margin with very strong operating leverage, putting it back on a par with previous record levels, at 14.3% of sales in 2010 (compared with 6.6% of sales in 2009), and 15.1% of sales in the second half.
- Like-for-like sales for the **Construction Products (CP)** Business Sector remained stable over the year as a whole and in the second half, with improved second-half trading conditions in Western and Eastern Europe offset by the fall in sales in the United States (due to inventory run-downs by distributors in the third quarter). However, Construction Products sales improved further in the fourth quarter (up 3.7%) across all regions, and particularly Eastern Europe. The Business Sector's operating margin continued to rise, up to 9.7% from 9.5% in 2009, bolstered by the cost savings achieved and upbeat sales prices – particularly in the six months to December 31.
- Like-for-like **Interior Solutions** sales slipped 1.8% over 2010, despite a 0.1% advance in the second half of the year driven by the fledgling recovery in Western and Eastern Europe and healthy sales prices. Markets in Asia and Latin America continued to enjoy robust growth throughout the year, while US construction markets remained in the doldrums. The operating margin continued to improve, up to 7.3% in 2010 (7.7% in the second half) versus 6.8% in 2009.
- Like-for-like **Exterior Solutions** sales edged up 1.7% over the year, bolstered by a further rise in sales prices for all of its components (Industrial Mortars, Exterior Products and Pipe). Sales volumes were broadly stable for 2010 as a whole, with vibrant trading in Asia and Latin America offset by a slowdown in business in both Western and Eastern Europe. Trading conditions in North America remained sluggish. However, fourth-quarter volumes were up sharply across the business, particularly in Eastern Europe. The operating margin repeated its good 2009 performance, coming in at 11.8% of sales despite the hike in raw material costs – especially in the second half.

- **Building Distribution** saw a slight 1.5% decline in year-on-year trading, due to ongoing tough conditions in the first half. The Business Sector got back on the growth track in the second half of 2010 (up 1.0%), despite severe weather conditions at the end of the year. This uptrend was chiefly fueled by a gradual recovery in Germany, the UK and Scandinavia as from March (each of these countries delivering robust growth in the second half of the year). Trading in France was slightly down over the year as a whole, despite picking up in the six months to December 31.The downturn continued across Southern Europe and the United States, in spite of more favorable comparative figures. The operating margin for the Business Sector improved, up to 3.3% of sales (4.2% in the second half) from 2.4% of sales in the year-earlier period, mainly reflecting the impacts of streamlining measures, cost savings and a higher gross margin.
- **Packaging (Verallia)** continued to report robust trading conditions and earnings, which remained virtually stable year-on-year. Nevertheless, the Business Sector's operating margin narrowed slightly to 12.2% of sales (12.7% of sales in 2009), with the sharper rise in sales prices in the second half failing to fully offset, over the year as a whole, the slowdown in volumes across Europe and to a lesser extent, the rise in energy costs.

Analysis by geographic area

In 2010 as well as the six months to December 31, 2010, the Group's organic growth performance continued to be led by Asia and emerging countries, which delivered double-digit organic growth over both periods. However, business in North America and Western Europe began to improve overall, with trading picking up pace in Western Europe in the second half of the year.

Profitability improved sharply across all regions.

- **In France**, trading was close to 2009 levels, in spite of a particularly weak performance in the first quarter due to very cold winter weather. Despite a gradual improvement over the year, construction markets remained relatively tough. In contrast, industrial markets proved fairly upbeat. The operating margin for France improved sharply, up to 6.3% from 5.5% in 2009.
- Like-for-like sales in **other Western European countries** remained stable over the year, with modest 2.1% growth in the second half more than offsetting the 1.7% contraction in the six months to June 30. Construction markets confirmed their gradual recovery throughout the second half, led by a stronger growth momentum in Germany and Scandinavia and a relative improvement in Spain. Thanks to the cost savings achieved since the onset of the crisis, the operating margin for the region surged to 5.9% (6.7% in the second half), compared to 4.4% in 2009 (5.6% in the six months to December 31, 2009).
- Trading in **emerging countries and Asia** (18.7% of Group sales) remained vigorous, with organic growth picking up pace in the second half (up to 13.0% from 9.6% in the six months to June 30). This performance came on the back of a return to growth in Central and Eastern Europe, and particularly Poland. Asia and Latin America continued to deliver a strong organic growth performance (up 17.3%) throughout the year. The operating margin rose sharply, up to 10.1% of sales (10.9% in the second half) from 6.7% one year earlier (8.5% in second-half 2009).
- **North America** posted organic growth of 6.5% for the year (1.7% in the second half and 5.2% in the fourth quarter), bolstered by a sharp rebound in businesses related to industrial output and a good performance from all other businesses except Interior Solutions, which suffered from continuing weakness in construction markets. The region's operating margin – also boosted by the restructuring measures implemented – continued to improve, up to 10.7% of sales (8.9% of sales in 2009), despite inventory run-downs by distributors in the third quarter and the rise in the cost of raw materials in the second half.

Consolidated results

Sales advanced 6.2%, powered by a strong 3.9% positive currency impact. This reflects the appreciation against the euro of most currencies of the other monetary areas where the Group trades, namely Scandinavian and emerging country currencies (especially the Brazilian real). On a constant exchange rate basis*, sales therefore climbed 2.3%. Changes in Group structure had a mild +0.4% impact on sales. Like-for-like, Group sales moved up 1.9% (including a positive 1.1% volume impact and a positive 0.8% price effect), reflecting the acceleration in organic growth over the second half of the year, up to 2.8% (of which 3.3% in the fourth quarter), after 1.0% in the six months to June 30.

** Based on average exchange rates for 2009.*

In line with targets, the Group's **operating income** rose sharply, up 40.7% (33.7% at constant exchange rates), powered mainly by the cost savings achieved. As a result, the operating margin improved significantly, up to 7.8% of sales (10.7% excluding Building Distribution), versus 5.9% (8.4% excluding Building Distribution) in 2009.

The Group outperformed its target in the second half of 2010 ("operating income for second-half 2010 slightly above the first half"), with a rise of 15.7% in operating income compared to first-half 2010 and of 30.0% compared to second-half 2009.

The Group's second-half operating margin rose steeply, up to 8.1% of sales (10.8% excluding Building Distribution), versus 6.7% of sales (9.1% excluding Building Distribution) in second-half 2009. It also came in higher than in second-half 2008 (7.6%, or 9.8% excluding Building Distribution), even though sales volumes remained 9.4% below the volumes recorded in that period.

EBITDA (operating income + operating depreciation and amortization) surged 24.7%. EBITDA margin came in at 11.6% of sales (16.1% excluding Building Distribution), versus 9.9% (14.1% excluding Building Distribution) in 2009.

The consolidated EBITDA margin in the six months to December 31, 2010 exceeded its second-half 2008 level, at 11.8% versus 11.1%.

Non-operating costs fell 25.2% to €446 million (€596 million in 2009), thanks to lower restructuring costs. This amount includes a €97 million accrual to the provision for asbestos-related litigation involving CertainTeed in the US, the increase compared to 2009 reflecting the rise in indemnities paid over the last 12 months (see "Update on asbestos claims in the US" on page 45).

The net balance of capital gains and losses on disposals, asset write-downs and corporate acquisition fees was a negative €147 million. This amount comprises €87.1 million in capital gains (including the capital gain on the disposal of Advanced Ceramics) and €232.2 million in asset write-downs. These write-downs result primarily from restructuring plans and site closures initiated during the period. They include a €72 million write-down taken against part of the goodwill relating to certain Building Distribution businesses in the US and the Netherlands following restructuring measures launched in these companies in 2010.

Business income totaled €2,524 million in 2010, twice the figure for 2009 after taking into account the items mentioned above (non-operating costs, capital gains/losses on disposals and asset write-downs).

Net financial expense improved slightly, at €739 million versus €805 million in 2009. This chiefly reflects the reduction in net debt. The average cost of net debt came out at 5.6% in 2010, versus 5.5% in 2009.

Income tax rose sharply up from €196 million to €577 million, chiefly due to the rise in pre-tax income and, to a lesser extent, the business tax reform introduced in France as of January 1, 2010, which led the Group to reclassify the new CVAE ("Cotisation sur la Valeur Ajoutée des Entreprises") tax as income tax.

Recurring net income (excluding capital gains and losses, asset write-downs and material non-recurring provisions) jumped 116.4% year-on-year, to €1,335 million. Based on the number of shares outstanding at December 31, 2010 (530,836,441 shares versus 512,931,016 shares at end-2009), recurring earnings per share came out at €2.51, up 109.2% on 2009 (€1.20).

Net income (attribuable to equity holders of the parent) came in at €1,129 million, more than five times higher than the 2009 figure (€202 million).
Based on the number of shares outstanding at December 31, 2010 (530,836,441 shares versus 512,931,016 shares at December 31, 2009), earnings per share came out at €2.13, more than five times higher than in 2009 (€0.39).

Capital expenditure climbed 16.1% to €1,450 million (versus €1,249 million in 2009), and accounted for 3.6% of sales (3.3% in 2009). This increase was mainly attributable to the upturn (especially in the second half) in growth capex focused on activities related to energy efficiency (Flat Glass – including solar power – and Construction Products) and on Asia and emerging countries. Overall, these markets accounted for almost 80% of the Group's total growth capex in 2010.

Cash flow from operations totaled €3,004 million in 2010, up 30.4% on the same period in 2009. Before the tax impact of capital gains and losses on disposals and asset write-downs, cash flow from operations climbed 31.7% to €2,987 million, up from €2,268 million one year earlier.

Free cash flow (cash flow from operations less capital expenditure) jumped 47.4% to €1,554 million, despite the rise in capital expenditure. Before the tax impact of capital gains and losses on disposals and asset write-downs, free cash flow surged 50.8% to €1,537 million, or 3.8% of sales (2.7% of sales in 2009).The Group therefore outperformed its target for full-year 2010 (initially €1 billion in free cash flow, subsequently raised to €1.4 billion in July).

In second-half 2010, despite the robust 38.5% increase in capital expenditure, free cash flow totaled €550 million (before the tax impact of capital gains and losses on disposals and asset write-downs). It advanced 17.2% compared to second-half 2009 (€469 million), which already stood as the Group's best second-half level of free cash flow over the last five years. This reflects the ongoing focus on cash flow management, including in a more upbeat growth environment.

The difference between EBITDA and capital expenditure increased by 29% to €3,202 million in 2010, versus €2,481 million in 2009, representing 8.0% of sales (6.6% one year earlier).

After seven years of continuous improvements, **operating working capital requirements (WCR)** stabilized at a very good 31 days' sales at December 31, 2010, despite the trading upturn and the negative impact of the LME ("Loi de Modernisation de l'Économie") law in France.

Financial investments totaled €129 million and primarily related to acquisitions focused on energy efficiency, solar power and emerging countries. In the second half of 2010, the Building Distribution Sector resumed its policy of bolt-on acquisitions in Europe, especially in Scandinavia.

Net debt stood at €7.2 billion at December 31, 2010. After an already sharp €3.1 billion reduction in 2009, net debt was reduced by a further €1.4 billion (16.2%) compared to December 31, 2009 (€8.6 billion), spurred essentially by the increase in free cash flow. Net debt came out at 39% of shareholders' equity, compared with 53% at December 31, 2009. The net debt to EBITDA ratio came out at 1.5, a significant improvement on a year earlier (2.3).

Update on asbestos claims in the United States.
Some 5,000 claims were filed against CertainTeed in 2010, compared with 4,000 in 2009. Over the year, 13,000 claims were settled (versus 8,000 in 2009), bringing the total number of outstanding claims to 56,000 at December 31, 2010, versus 64,000 at December 31, 2009.
Confirming the trends observed at the end of June 2010, a total of USD 103 million in indemnity payments were made in the 12 months to December 31, 2010, up from USD 77 million in the year-earlier period.

In light of these trends, and particularly the rise in indemnity payments, an additional provision of €97 million was accrued in 2010 (€75 million in 2009), bringing the total coverage for CertainTeed's asbestos-related claims to around USD 501 million at December 31, 2010, virtually stable compared to December 31, 2009 (USD 500 million).

2010 action plan: results ahead of targets

The Group resolutely implemented its action plan priorities during the year and outperformed its 2010 targets.

In 2010, Saint-Gobain:

- continued to give clear operating priority to sales prices, which rose 0.8% over the year (1.4% in the second half). The spread between sales prices and raw material and energy costs therefore had a positive impact on the year;
- implemented and extended the cost cutting program:
  - €600 million in additional cost savings were unlocked in 2010 compared with 2009, including €150 million in the second half, bringing the total cost savings realized between 2007 and 2010 to €2.1 billion;
- continued to optimize free cash flow, by:
  - generating €1.5 billion in free cash flow*, ahead of the target set in July (€1.4 billion, raised from an initial target of €1.0 billion), despite the increase in capital expenditure,
  - maintaining a tight rein on operating working capital requirements (WCR), which remained at 31 days' sales despite the negative impact of the LME law and the increase in sales.
- Thanks to these measures, the Group paid down net debt by a further €1.4 billion, and again strengthened its balance sheet: the gearing ratio has been slashed to 39% from 53% at end-December 2009, while the net debt to EBITDA ratio fell to 1.5.
- At the same time, the Group resumed its selective acquisitions and development policy, focusing on fast-growing businesses and/or regions. It:
  - increased its capital expenditure by 16% to €1,450 million (including a rise of 38.5% or €1,018 million in the second half), with most growth capex earmarked for emerging countries and for energy efficiency and solar power markets,
  - gradually resumed its policy of bolt-on acquisitions, with selective transactions also focused on energy efficiency, solar power and emerging countries.

** Excluding the tax effect of capital gains and losses on disposals, asset write-downs and material non-recurring provisions.*

Capital expenditure and financial investments

Capital expenditure (excluding finance leases)

(in € millions)	2010	2009	2008
By Sector and Division			
Innovative Materials - Flat Glass	413	326	576
Innovative Materials - High-Performance Materials	149	130	223
Construction Products	422	364	758
- Interior Solutions	194	199	528
- Exterior Solutions	228	165	230
Building Distribution	187	155	291
Packaging	261	259	283
Other	18	15	18
GROUP TOTAL	1,450	1,249	2,149
By geographic area			
France	290	254	554
Other Western European countries	427	414	682
North America	201	167	220
Emerging markets and Asia	532	414	693
GROUP TOTAL	1,450	1,249	2,149

Financial investments

(in € millions)	Investment	Estimated full-year net sales
2010 acquisitions		
Innovative Materials - Flat Glass	45	3
Innovative Materials - High-Performance Materials	36	142
Construction Products	37	24
Building Distribution	10	16
Packaging	0	
Holding companies	1	
TOTAL ACQUISITIONS	129	185
of which in emerging markets and Asia-Pacific	*27*	
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 and Asia-Pacific	*70*	

DIVIDENDS

Year	Number of shares with dividend rights	Net dividend per share*** (in €)	Adjusted yield based on year-end share price
2008	486,008,778 shares (a)*	1.00	3.28%
2009	508,700,750 shares (b)*	1.00	2.63%
2010	526,118,288 shares (c)**	1.15	3.00%

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, 2011.*

****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 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.

(b) Based on 512,931,016 shares outstanding (capital stock at December 31, 2009) less 4,230,266 treasury shares held on the dividend payment date.

(c) Based on 530,836,441 shares (capital stock at December 31, 2010) less 4,718,153 treasury shares held at January 31, 2011.

At its meeting on February 24, 2011, the Board of Directors decided to recommend to the Annual General Meeting on June 9, 2011, that the 2010 dividend should be set at €1.15.

RESULTS BY SECTOR

Innovative Materials

Key Consolidated Figures

(in € millions)	2010	2009	2008	2007
Net sales [a]	9,283	7,792	9,677	10,334
Operating income	1,024	370	1,244	1 302
EBITDA	1,506	843	1,737	1,865
Capital expenditure [c]	562	456	799	761

(a) Sales data by Sector include inter-sector sales.
(c) Excluding finance leases.

Innovative Materials sales advanced 12.3% like-for-like over the year. The Sector's operating margin rose to 11% for the year from 4.7% in 2009, moving into double digits in the second quarter of 2010.

Innovative Materials Sector – Flat Glass

Contribution to the Group	2010	2009	2008	2007
% of net sales	13%	12%	13%	13%
% of operating income	14%	7%	19%	17%

Key Consolidated Figures

(in € millions)	2010	2009	2008	2007
Net sales [b]	5,218	4,572	5,549	5,611
Operating income	439	155	701	717
EBITDA	746	444	1,016	1,064
Capital expenditure [c]	413	326	576	523

(b) Sales data by Division include inter-division sales.
(c) Excluding finance leases.

2010 business review

Flat Glass sales in 2010 totaled €5.2 billion, up a sharp 14.1% compared with 2009. The like-for-like increase was 8.4%. Sales were fuelled by emerging markets and the worldwide resilience of the automotive industry.

The solar business was buoyant throughout the year. Sales were robust in solar glass, and the first Avancis plant was ramped up to full capacity.

Sales of commodity products (*float* glass) increased by 14.8% like-for-like during the year, reflecting gains of 8.8% in Europe and 22.1% outside Europe. At the same time, prices maintained their slow but sure recovery in Europe and picked up strongly in Asia and Latin America. Sales of value-added products, including coated glass in particular, recorded above average growth. To meet increasing demand in emerging markets, two *float*-glass lines were restarted in China and South Korea, and a new line came on stream mid-year in Egypt. In addition, the construction of two new production lines, in Brazil and northern India, was announced.

Sales in the building transformation business retreated 5.3% on a reported basis and 7.4% like-for-like. They were down in all countries apart from Switzerland and Poland, with the biggest drops recorded in southern Europe, Benelux and the Scandinavian countries. The product mix continued to be enhanced, with the development of coated glass products and specialty products.

Sekurit's sales increased 15.3% like-for-like overall. The global automotive market expanded rapidly in 2010, up 11% in Europe, 32% in China, 35% in India, 22% in South Korea, 4% in Brazil and 49% in Mexico, for a total improvement of 24% on 2009.

The Flat Glass Division's operating income turned sharply upwards to €439 million. Tight controls over industrial performance and measures to reduce overheads and the workforce were pursued, particularly in the West. Routine capital expenditure was also contained, without however compromising future growth drivers such as solar solutions and emerging market development. Coupled with a significant reduction in days working capital, due to inventory drawdowns and effective credit and collection processes, these actions had a positive impact on free cash flow.

Outlook for 2011

2011 is expected to be shaped by strong growth in all host regions outside Europe, in both the construction and automotive industries. In Europe, the automotive market is set to decelerate following last year's incentive-fuelled expansion, while the construction market is likely to remain sluggish in Western European countries.

Nevertheless, the global economic recovery is expected to put inflationary pressure on purchasing costs, particularly for raw materials and energy.

Our strategic priorities will remain the same, namely: (i) implementing cross-functional measures to cut fixed costs in Europe and reduce production costs through our World Class Manufacturing (WCM) programs and (ii) supporting growth in emerging markets.

Despite uncertainty over the future of solar incentives, particularly in France, the solar market should be sustained by demand for new glass-based products such as anti-reflective coated glass and Diamant Solar tempered glass. Avancis is enjoying rapid growth, with the first plant now at full capacity and two plants in Europe and South Korea launched in 2010.

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 habitat and construction markets and the automotive market.

Innovative Materials Sector – High-Performance Materials

Contribution to the Group	2010	2009	2008	2007
% of net sales	10%	9%	10%	11%
% of operating income	19%	10%	15%	14%

Key Consolidated Figures

(in € millions)	2010	2009	2008	2007
Net sales[(b)]	4,088	3,240	4,165	4,752
Operating income	585	215	543	585
EBITDA	760	399	721	801
Capital expenditure[(c)]	149	130	223	238

(b) Sales data by Division include inter-division sales.
(c) Excluding finance leases.

2010 business review

High-Performance Materials sales increased 17.9% like-for-like in 2010, primarily driven by emerging markets and the rebound in most manufacturing activities, which was particularly strong in North America. Certain businesses, such as Performance Plastics, reported sales that were comparable to 2008 levels.

The Textile Solutions business returned to robust growth and solid margins in 2010, despite being faced with a still lackluster construction market, as restructuring projects and the consolidation of New York Wire paid off handsomely.

Abrasives enjoyed strong sales in all regions, accompanied by higher margins. Although the European market was less dynamic, the continent was able to improve its performance thanks to a significant reduction in the break-even point.

Performance Plastics emerged from the crisis in excellent shape, with sales even better than in 2008 and wider margins.

The Ceramics business experienced contrasting market environments in 2010, with pellet sales up by around 50%, crystals still immersed in crisis and refractory products enjoying a significant revival.

At 14.3%, the Sector's operating margin was up on 2008, even though sales were not yet back at pre-crisis levels. WCM, purchasing and productivity initiatives to drive operational excellence proved effective. The priority attention given to prices contributed to this performance, particularly in Abrasives and Ceramics.

A conservative approach to acquisitions and capital expenditure was pursued in 2010. Selective acquisitions strengthened our positions in certain segments, notably Abrasives in South America and Textile Solutions in the habitat and construction market. Capital expenditure was kept to near-2009 levels by implementing carefully targeted projects, such as for Ceramics in India and Brazil, Abrasives in China and Performance Plastics in new photovoltaic markets. This strategy helped to lift the Sector's cash flow from operations to a record high.

Outlook for 2011

In 2011, the High-Performance Materials Sector will focus on assertively stimulating growth, while pursuing the cost-control practices adopted during the crisis.

With the widening performance gap between emerging and developed countries, the development of manufacturing facilities in Brazil, Mexico, Poland, India and China will enable the Sector to capture the opportunities created in vibrant emerging markets. Western Europe and North America are likely to experience only modest growth, held back by stagnating construction demand, the end of inventory building and a softening of automotive, steel and other industrial markets.

Inflation will be a key factor in 2011. Widespread rises in factor costs (raw materials, energy and salaries) will weigh heavily on all operations. The future threatens sharply higher prices for certain raw materials, particularly special materials such as zircon sand, bauxite, petroleum coke and fluoropolymer resins as well as traditional materials such as cotton, paper and metals. In response, the businesses are planning significant price hikes. Striking the right price/market share balance will be a vital performance driver.

In this environment, operational excellence programs will be pursued.

2011 will see renewed capital expenditure designed to promote growth. Capex in developed regions will be directed towards markets experiencing solid expansion, particularly the US energy (proppants) and health (Performance Plastics) markets. Investments will also be made to upgrade our manufacturing base, by automating Abrasives processes and reorganizing Ceramics production.

All businesses will build stronger bases in emerging markets, led by the Abrasives, refractory products and silicon carbide businesses in Asia.

CONSTRUCTION PRODUCTS

Contribution to the Group	2010	2009	2008	2007
% of net sales	27%	28%	27%	26%
% of operating income	34%	44%	29%	32%

Key Consolidated Figures

(in €millions)	2010	2009	2008	2007
Net sales [a]	10,940	10,414	12,035	11,112
Operating income	1,064	985	1,070	1,313
EBITDA	1,584	1,494	1,573	1,772
Capital expenditure [c]	422	364	758	830

(a) Sales data by Sector include inter-sector sales.
(c) 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 edged up 0.6% over the year, excluding the currency effect. Market conditions remained challenging in Western Europe as well as in North America, where sales advanced slightly nonetheless.
In contrast, growth was significant in emerging countries, particularly in Brazil, Russia and Asia. In this environment, the Sector was able to maintain sales prices despite strong inflationary pressure, primarily in Eastern Europe.

After declining in 2009, factor costs turned upwards in 2010 due to the spike in prices for ores and petroleum derivatives, which was particularly sharp late in the year. Nevertheless, the productivity gains achieved by the divisions through restructuring and operational excellence programs deployed in 2009 and 2010 led to an improvement in both operating income and margin.

Capital expenditure was maintained, with the total amount invested remaining stable overall compared with 2009. Acquisitions on the other hand were marginal. Despite a record year in 2009, disciplined management led to an additional reduction in days working capital in 2010. Overheads remained under control and, because of attentive management of cash flows, operating free cash flow was again very satisfactory.

Although the Sector will have turned the page on the crisis in 2011, it is unlikely to stage a full recovery. The key to success in the various activities will lie in managing persistently difficult market conditions in developed countries – which are currently showing no signs of significant improvement – while at the same time supporting and tapping vibrant emerging market growth.

The Sector will be particularly attentive to acquisition opportunities, while stepping up investments in innovation to proactively address energy efficiency and sustainable development issues.

Interior solutions

Gypsum

2010 business review

In 2010, the Gypsum Division continued to face difficult market conditions in North America and Europe, while enjoying a strong rebound in emerging markets with the noteworthy exception of South Africa. Despite fierce competitive pressure, average prices were only slightly lower, reflecting the priority given throughout the year to enhancing the value of product and service offerings. Overall sales were lower than in 2009 at constant exchange rates.

In this generally challenging environment, the Division nonetheless reported an improvement in operating income, thanks mainly to the impact of deep cost-cutting measures introduced in 2009 and pursued throughout 2010.

In Western Europe, business contracted sharply at the beginning of the year, after which the pace of decline slowed considerably. Performances varied widely between countries showing signs of stabilizing or even returning to growth, such as France, the United Kingdom, Germany, Finland and Switzerland, and those continuing to witness a steep decline in business, such as Ireland, the southern European countries and Denmark. Overall, signs of a rebound in certain residential markets and the positive impact of new product launches offset the ongoing contraction of non-residential markets. Tightly managed pricing policies, the continuing shift in product mix towards higher value-added lines and price adjustments reflecting the value of our unique products and services helped to keep sales prices firm, despite intense competitive forces. Action plans to align production capacity with demand and reduce costs were pursued in 2010.

Market conditions in Eastern Europe remained challenging throughout the year, with a continued sharp slowdown in business and considerable pressure on sales prices.

In North America, situations were drastically different between Canada, where demand increased due mainly to the resilience of the residential market, and the United States, where business contracted for yet another year to historically low levels. After picking up during the year, sales prices in the United States dropped again in the second half in the absence of clear signs of revived demand.

In emerging markets, the recovery was strong in Asian and South American markets, contributing to a significant improvement in operating margin. However, the situation remained difficult in South Africa, which experienced a second consecutive year of eroding demand. A new plasterboard production facility was opened at the beginning of the year in preparation for the anticipated rebound in the Middle East, and the Gypsum Division pursued its strategic investments in Algeria by acquiring a small plaster mill in the southern suburbs of Algiers.

Operational excellence campaigns were pursued throughout the year. In manufacturing, for example, the World Class Manufacturing (WCM) program to improve production processes and reduce waste was firmly embedded in the practices of nearly all industrial facilities across the Division. In sales and marketing, such campaigns primarily focused on implementing sales price optimization strategies. The drive for innovation in both processes and products was stepped up in the second half of 2010, by fully leveraging synergies within the Saint-Gobain Group as well as the positive effect on research and development of reorganization measures introduced in 2009.

Outlook for 2011

Growth in 2011 is forecast to remain moderate in developed countries, as last year's residential market recovery in certain countries is likely to be slowed by the impact of austerity measures announced by many governments to reduce their budget deficits. Demand should however remain buoyant in emerging markets, with the exception of South Africa and the Middle East, which are unlikely to see a swift upturn in 2011.

In this uncertain environment, the Gypsum Division's priorities will remain focused on strict cost control and the pursuit of initiatives to move up the price curve and broaden the product offering, with a view to better meeting needs arising from changing national environmental and energy efficiency standards. It will also respond to growing needs in the renovation business and rising demand for building solutions that enhance comfort. Expansion will be pursued in emerging markets, primarily through capacity-boosting capex, which will enable the Division to meet growing demand in the regions concerned and enter new markets where its presence is currently limited.

Insulation

2010 business review

After a challenging 2009, shaped by the ongoing construction crisis in the United States and the economic turnaround in Europe that began in the second half of 2008, the Insulation Division's sales stabilized in 2010 on a like-for-like basis. This overall stability was however the result of very mixed performances across geographies.

In the United States, construction activity remained extremely low, registering only a slight improvement over 2009. Due to persistent overcapacity in the market, the Mountaintop plant was mothballed at the end of the first half. Sales volumes continued to decline, weakened by the inability to sustain the high level of exports achieved in the second half of 2009 following the abrupt scaling back of the Australian government's home insulation grant program. In July 2010, prices were increased with the aim of restoring margins to more satisfactory levels, in both building and technical insulation. Note that CertainTeed launched a sustainable insulation product line on the west coast of the United States and in Canada at the beginning of the year.

Unlike in the United States, certain insulation markets in Europe started to recover in the second half. In Western Europe, sales were maintained at a reasonable level in Germany after being sustained in 2009 by government assistance to the construction industry. France reaped the benefits of vigorous demand, buoyed by the effects of France's Grenelle Environment Summit and the product innovation strategy led by Isover. Certain markets suffered considerably, however, including Denmark, the Netherlands and Spain for example. Maintaining sales prices was difficult due to more intense competitive pressure, mainly as a result of additional capacity being brought on stream by certain competitors.

In Eastern Europe, Russia enjoyed a particularly strong rebound, while Poland and Turkey saw a steady increase in sales in expanding markets. Like Western Europe, Eastern Europe faced tougher price competition in 2010.

Programs to develop and improve operational performance were pursued in Latin America.

In Asia, the year was shaped by the March buyout of our partner's interest in MAG, which enabled the Division to significantly consolidate its position in a Japanese insulation market engaged in a recovery that should continue into 2011.

In all regions, cost-cutting and capacity adjustment measures were pursued in response to lower demand, including reductions in the number of shifts and alternate operation of production lines. Cost-saving programs introduced to improve manufacturing productivity delivered results on target, and overheads remained under control.

Outlook for 2011

For the Insulation Division, 2011 should be a year of gradual recovery in Europe. The major Western European markets, i.e. France and Germany, look set to continue improving and the United Kingdom, Spain and Belgium should enjoy moderate growth. Eastern Europe is expected to return to growth overall, the Russian and Polish markets' rapid recovery should hold firmand the outlook in the Turkish insulation market is good.

The Division's priorities for 2011 are two-fold:

- control production costs in a newly inflationary environment and achieve further savings at plants by deploying a global cost-optimization project;
- strengthen the leadership strategy in an insulation market that is bound for robust expansion. To this end:
  - R&D and innovation will remain core priorities so that the Division can fully capitalize on opportunities created by the growing renovation market and the introduction of more rigorous building energy performance standards,
  - integration of the technical insulation business will be pursued to improve Isover's positioning in the related markets,
  - the strategy to expand the product-line up will continue, in particular with the promotion of products with low thermal conductivity ratings, the development of exterior thermal insulation systems and the addition of innovative membranes to the Vario range,
  - acquisition opportunities will be seized whenever they promise to strengthen the Insulation Division's profitability and leadership position[1].

Exterior solutions

Exterior Fittings

2010 business review

In the United States, the construction market was shaped by markedly different trends between the first and the second half. In the first six months of the year, increased volumes coupled with higher prices for exterior wall and roofing insulation systems seemed to indicate that recovery was around the corner. However, in the second half, it became apparent that these encouraging signs were not translating into the highly anticipated upturn. Down sharply in the third quarter, weak volumes were only partially offset by favorable weather conditions in the fourth quarter that made it possible to prolong exterior work. At the same time, housing prices contracted and foreclosures increased. The number of housing starts came in below 600,000, slightly up from the 553,000 reported in 2009, which was nevertheless the lowest annual figure reported since 1950.

Despite this difficult economic environment, the Exterior Solutions Division exceeded its profitability targets, mainly owing to very satisfactory results in the roofing markets for the second consecutive year. Volumes were stable compared to 2009, and despite the increased cost of many raw materials, prices were only slightly higher. Wider margins on PVC resins and the positive volume effect of offering products for every need helped to maintain results in exterior wall insulation systems at a level similar to that of 2009. Sales of pipe and foundation products, although less significant, largely exceeded objectives, mainly thanks to sustained sales of technical pipe insulation needed primarily for natural gas well applications.

In light of vibrant demand in the roofing markets, the Division decided to re-open its plant in Ennis, Texas that had been mothballed in 2007. The plant should be up and running again by the second quarter of 2011.
A production line at the Norwood plant in Massachusetts is being converted to manufacture products for metric markets in a drive to develop sales in New England and Canada. CertainTeed laid the groundwork for significant sales expansion by signing an agreement with a leading distributor to sell its roof insulation products in 2010 in 180 outlets in the southwest of the United States and Restoration Millwork exterior solutions in around 100 stores.

(1) Source: Saint-Gobain.

Outlook for 2011

Outlook for the coming years is again conditioned by the assumption that US manufacturing and construction will recover, but uncertainties persist as to the extent of that recovery. The unemployment rate will probably not improve before the end of 2011, additional housing foreclosures have been announced as imminent, and real estate prices almost certainly have further room to fall in many regions. The number of housing starts could stay close to historically low levels. It would also seem that the average surface area of new programs under construction is down compared with previous years, which points to a decline in construction product consumption.

Pipe

2010 business review

Results for the Pipe Division continued to improve in a still challenging economic environment. Emerging market growth, new distant export contracts and innovation capability represented major advantages in the face of lackluster European markets. The recognized excellence of Pipe products facilitated price adjustments to reflect the high cost of steel.

In Western Europe, the markets' decline continued with the announcement of austerity plans. Growth in sales of innovative offers helped to limit the fall in volumes as competition grew increasingly fierce. The gap widened between the resilient French market and the rest of Europe. Spain continued to suffer from the construction market's sudden collapse. Irrigation projects offset the drop in drinking water supply projects. The specialized distribution company's results held up well thanks to major cost-cutting efforts. In Italy, while the domestic market was very weak, business was sustained by major export projects. The German market remained depressed and demand was also low in the UK. Finland was the only country in the region to generate high sales, thanks to a major contract.

In Eastern Europe, Poland was the only market where business was strong.

In Brazil, the market remained vibrant despite a temporary loss of momentum in the run-up to the presidential elections. Meeting the country's extensive infrastructure needs is still a priority under the new government.

In China, after a brief slowdown affecting the entire steel sector in the second quarter, vigorous growth in sales was sustained by new innovative offers adapted to the local market and by the opening of a production facility specialized in large diameter pipe.

Sales to distant export markets remained strong, thanks to major contracts for high value-added products, particularly in Qatar. These contracts were awarded in recognition of the Pipe Division's technical expertise and its industrial and logistical excellence.

Raw materials costs surged abruptly in March following the indexing of world iron ore prices to spot prices on the Chinese market.

Innovation is one of the Pipe Division's strengths in all its markets and businesses. For example:

- In Europe, sales were lifted by new lines of Blutop® water supply pipes and TAG32® wastewater pipes. In addition, other innovative solutions were developed in response to the specific needs of each business;
- In Brazil, the range of industrial applications was enhanced;
- In China, new offers were introduced such as the PAMBOO® pipe, local large-diameter pipe manufacturing was launched and development of wastewater pipes was pursued.

Broad cost-savings plans were pursued and stepped up, targeting both plant costs and general overheads.

Cash flow management remained the priority focus, delivering a significant, ongoing improvement in operating working capital and effective control over capital expenditure.

Outlook for 2011

Europe is not expected to see a recovery in 2011 given the upcoming wave of austerity measures that will tighten the purse strings of local communities. The objective will be to weather a difficult environment on the strength of innovation and quality of service. Growth will be led by the vigor of the Chinese and Brazilian markets. Distant export markets will remain buoyant. Development will be pursued by leveraging the Division's main strengths, i. e. innovation, the ability to maintain sales margins despite the anticipated increase in raw materials and energy costs, industrial excellence, disciplined management of overheads and sound cash flow management.

Industrial Mortars

2010 business review

Overall sales in Industrial Mortars, Expanded Clay Pellets and Site & Plant Equipment were higher than in 2009, despite a persistently difficult economic environment in Europe, where the construction markets generally continued to shrink.

In this environment, sales in Europe dipped over the year, with a more pronounced decline in Western Europe where Switzerland, Finland and, to a lesser extent, Germany were the only countries to see significant growth in sales volumes. Prices also increased slightly during the year.

In Eastern Europe, volumes rose marginally, led by brisk sales in Russia and Turkey. This offset the decline in business in certain countries in the region that were heavily impacted by the crisis, especially Romania, Bulgaria and Hungary. However, prices came under pressure in virtually every Eastern European country, Russia being the notable exception.

As a result of the situation in Europe, the Division looked to emerging markets for growth, including Brazil, Argentina and Asia in particular and, to a lesser degree, the Middle East, which suffered from soft construction markets in the United Arab Emirates and Qatar. The improvement was mainly due to higher volumes, but prices also increased significantly, particularly in Latin America.

Sales of Industrial Mortars rose sharply, helped by the fact that roughly one quarter of business is generated in emerging markets other than Eastern Europe. Expanded Clay Pellet sales were only marginally higher, due to their dependency on European markets.

After contracting sharply in 2009, Site & Plant Equipment enjoyed the strongest expansion of the three businesses in 2010, mainly due to the increase in capital goods deliveries to emerging markets.

The Division pursued its efforts to reduce operating working capital, which was sharply lower on average in 2010.

After large scale-backs in 2009, capital expenditure was increased significantly in 2010. The additional spending mainly concerned emerging markets, particularly Latin America, Asia and the Middle East, where it served to support current and future growth.

Outlook for 2011

2011 will be shaped by more substantial price increases than in 2010, in all geographies.

Another defining feature of the year will be improved business in Europe. Volumes are expected to rise modestly in Western Europe, while the bulk of the increase will come from Eastern Europe, fuelled by solid development potential in Russia.

Business in Latin America should still be very brisk, with sales growing at a rate close to that of 2010. In the Middle East, growth should be much faster than in 2010 led by a recovery in the United Arab Emirates' and strong expansion in Saudi Arabia. In Asia, the markets concerned are expected to enjoy sustained growth.

As in 2010, Site & Plant Equipment is likely see the most substantial growth, with ongoing development of sales in emerging markets. Industrial Mortars should enjoy healthy expansion, thanks mainly to the strong weighting of emerging markets in overall sales. In Expanded Clay Pellets, growth is expected to be achieved mainly through price increases.

Capital expenditure in 2011 should be marginally higher than in 2010, with continued strategic focus on investments in certain growth industries in emerging markets, especially in Russia, Latin America and the Middle East.

Building distribution

Contribution to the Group	2010	2009	2008	2007
% of net sales	43%	45%	45%	45%
% of operating income	19%	19%	24%	27%

Key Consolidated Figures

(in € millions)	2010	2009	2008	2007
Net sales [a]	17,326	17,101	19,696	19,480
Operating income	578	412	894	1,102
EBITDA	851	698	1,178	1,378
Capital expenditure [c]	187	155	291	353

[a] *Sales data by Sector include inter-sector sales.*
[c] *Excluding finance leases.*

2010 business review

After two years of decline, business stabilized in 2010, with sales up 1.3% on 2009 (down 1.5% like-for-like), despite enduring economic difficulties in the European construction markets. After retreating in the first quarter due to very unfavorable weather conditions in the first two months of the year, sales returned to growth in the third and fourth quarters in economic environments that varied widely from one country to another.

The turnaround was mainly attributable to the gradual recovery observed since March in Germany, the United Kingdom and Scandinavia. The French market still lagged slightly, while the other geographies remained depressed.

The Sector pursued a very limited acquisitions strategy in 2010, purchasing nine small businesses representing €49 million in annual sales, with the aim of consolidating existing networks. However, market share gains were achieved during the year, primarily in the Nordic countries and in Germany, thereby strengthening the Sector's position as its markets emerge from the crisis.

In France, where the Sector generates just under half of its business, sales benefited from a gradual improvement in market conditions starting in March, but were nevertheless slightly lower than in 2009. General banner Point. P illustrated this trend, whereas Plateforme du Bâtiment and other specialized banners demonstrated firm resilience by returning to organic growth during the year.

In the United Kingdom, after a difficult winter, sales benefited from a more favorable economic environment, led by inventory rebuilding in the construction segment and cheaper home loans that stimulated demand in the renovation segment. These developments drove a return to growth in the second quarter and the upturn continued in the following two quarters.

Exemplifying contrasting trends, like-for-like sales increased in Germany but fell significantly in the Netherlands, where the newbuild sector was heavily impacted by the crisis.

The Nordic countries reported a sharp improvement in sales in the second quarter, led by the recovery of the Swedish and Finnish markets. Sanitas Troesch delivered a very strong performance in a stable economic environment, confirming its market leadership.

In Eastern Europe, sales fell back during the year in a still rapidly shrinking building materials market, particularly in Hungary. Poland fared better that its neighbors thanks to more favorable economic conditions.

In Spain, the Building Distribution Sector continued to face a severely impaired economic environment, although specialist merchants were less affected than general builders' merchants. Like-for-like sales in Italy remained in very negative territory in a persistently difficult market.

Outside Europe, Telhanorte in Brazil reported modest growth in sales while Barugel Azulay in Argentina enjoyed swift expansion.

In North America, where the Sector expanded its position in 2007 with the acquisition of Norandex, organic growth was only marginally negative, even though the building market remained depressed.

In response to the year's challenging market conditions, and to be in the best possible position to benefit from the business recovery, in 2010 the Building Distribution Sector continued to consolidate and strengthen its distribution network.

In this environment, operating margin jumped by more than 40% to 3.3% 2010 from 2.4% in 2009. This performance was largely attributable to ongoing action to cut selling expenses undertaken since the second quarter of 2008 and stepped up in 2009 and 2010, as well as to assertive price, purchasing and customer risk management initiatives deployed in all units to support gross margin rates.

Cash flow generation was negatively impacted by the application of new regulations in France imposing faster payment of supplier invoices. Cash flow generation in 2010 was only slightly up on 2009, on account of excellent working capital management which created a high prior year basis of comparison.

Outlook for 2011

In a still unfavorable market environment, the Sector delivered firm sales and demonstrated remarkable responsiveness by lowering the cost base in order to emerge from the crisis in the best possible shape. 2011 may see a more significant increase in sales, but the outlook is nevertheless for slow market growth and mixed economic conditions between countries.

Packaging

Contribution to the Group	2010	2009	2008	2007
% of net sales	9%	9%	8%	8%
% of operating income	14%	20%	12%	10%

Key Consolidated Figures

(in € millions)	2010	2009	2008	2007
Net sales [a]	3,553	3,445	3,547	3,546
Operating income	434	437	442	401
EBITDA	669	657	650	610
Capital expenditure [c]	261	259	283	309

[a] *Sales data by Sector include inter-sector sales.*
[c] *Excluding finance leases.*

2010 business review

In 2010, Packaging Sector sales advanced by 3.1% to €3,553 million from €3,445 million the previous year. Overall, prices were maintained and volumes were only slightly down, but situations varied by country. In a very competitive Western European environment, the Sector saw volumes retreat in France and Germany, but benefited from strong export demand in Spain and, especially, in Italy. Sales in Eastern Europe were held back by the drought in Russia, which seriously affected the agrifood industry, and by a complex constitutional and macroeconomic landscape in Ukraine in the run-up to the presidential elections. In contrast, business was very brisk in the United States, where the Sector capitalized on sustained demand. Lastly, Latin America saw sales bounce back energetically at constant exchange rates, led by Argentina.

In all, thanks to the effectiveness of its teams and the flexibility of its manufacturing base, the Sector was able to meet the needs of its customers in a sometimes challenging environment. Its product offer was further expanded with innovative concepts inspired by the automated bulk-to-case process used for just-in-time distribution in the United States and the development of environmentally gentle Ecova bottles. The Sector leveraged its extremely efficient manufacturing network to optimize capacity allocation in response to fluctuating demand in its different markets.

2010 results were only slightly impacted by changes in raw material and energy costs, mainly because of the inclusion in most sales contracts of factor-cost indexation clauses and other specific clauses concerning energy prices, in a context of weak inflation.

Operating income remained stable at €434 million, with margin holding steady at a historically high 12.2%, down only slightly from the record 12.7% reported in 2009, mainly due to disciplined inventory management.

EBITDA continued to improve, rising to €669 million from €657 million in 2009, representing 18.8% of sales versus 19.1% in 2009.

Capital expenditure was substantially the same as in 2009, and was mainly dedicated to furnace relining in Europe and the United States and equipping plants with electrostatic precipitators to reduce their environmental footprint. In addition to these furnace relining and plant maintenance programs, additional funds were allocated to environmental protection in 2010, mainly to comply with agreements signed with the EPA in the United States.

In summary, the Sector demonstrated strong resilience in last year's difficult economic environment, with EBITDA improving to an historical high. As in the past two years, it generated a high level of free cash flow from operations, attesting to its rigorous cash management approach and confirming one of the defining characteristics of our business.

During the year, the Sector maintained its commitment to Research and Development. The Sector invested heavily in the biomass utilization program, while also continuing to fund new product research.

Outlook for 2011

As the economic environment gradually improves, the Packaging Sector should experience a further improvement in its financial performance, fuelled by the recovery in both Eastern and Western Europe and sustained strong expansion in Latin American markets. Boasting an efficient, responsive manufacturing base, the Sector will continue to enhance its quality of service and differentiated offer, while stepping up its commitment to sustainable development.

OUTLOOK AND OBJECTIVES FOR 2011

2010 saw the Group emerge from the crisis and gradually return to growth. Overall in 2011, the Group expects more upbeat trading conditions in its main markets. However, trends will continue to vary widely from one region to the next:

- **Asia and emerging countries**, should see ongoing vigorous growth, with the recovery in Eastern Europe (especially Poland) picking up pace;
- **in North America**, industrial markets should continue to enjoy strong momentum. In contrast, construction markets are likely to remain sluggish, although some signs of recovery could emerge during the year;
- **in Western Europe**, trading on industrial markets should remain brisk, while construction markets should continue to recover, particularly newbuild and renovation segments. This overall improvement should nevertheless conceal continuing stark contrasts from one country to the next: the Group's key markets (France, Germany, UK, Scandinavia) should continue to recover, while Southern Europe will remain challenging;
- lastly, **household consumption markets** should hold firm across all regions.

Against this backdrop, all of the Group's Business Sectors should benefit from a favorable growth momentum.

To support the return to growth on its main markets, the Group will resolutely adopt a tempered development policy in 2011, underpinned by a constant focus on profitability and strict financial discipline. Saint-Gobain will:

- resume a dynamic but selective and tempered investment policy (capex and financial investments), supported by a strong financial structure. Along the lines of 2010, these markets should account for more than 80% of the Group's growth capex in 2011;
- continue to give priority to sales prices and endeavor to pass on the rising cost of raw materials and energy to sales prices, amid rising inflation;
- continue to maintain a tight rein on costs;
- continue to keep a close watch on cash management and financial strength;
- maintain its R&D efforts.

SHARE INFORMATION

Compagnie de Saint-Gobain shares are traded on the Eurolist by Euronext Paris market (ISIN: FR 0000 125007). In 2010, the Company represented the eighteenth largest market capitalization (at €20,436 million as of December 31, 2010) and the thirteenth most actively traded stock on this market, with an average daily trading volume of 3,040,964 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 2010, particularly on the London Stock Exchange.

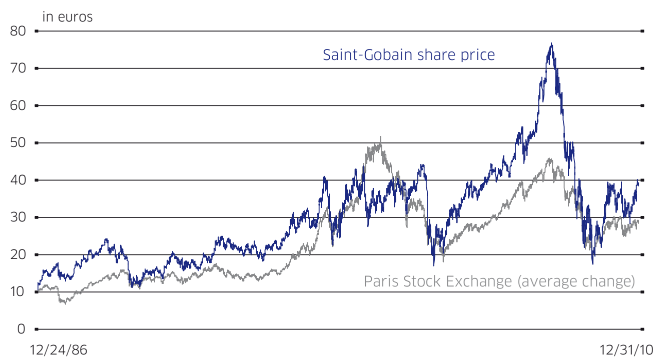
Compagnie de Saint-Gobain is included in the DJ Euro Stoxx 50 index and the FTSE4Good sustainable development index. More recently, the Company was selected for inclusion in The Global Dow, a 150-stock index of the most innovative, vibrant and influential corporations from around the world.

In addition, Saint-Gobain equity options are traded on the options markets in Paris (Monep) and London (Liffe), with Monep trading volume representing 1,436,972 contracts in 2010 versus 874,696 the previous year.

High and low share prices[1]

Year	High	Low	Year-end price
2008	59.288	20.941	30.521
2009	40.650	16.650	38.070
2010	40.540	27.810	38.500

Share price[2]



Total Shareholder Return

Since the December 1986 privatization: 10.4% per year

Of which: 5.5% 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 and 2010 stock dividends
- December 31, 2010 share price: €38.500

Over ten years, from December 29, 2000 to December 31, 2010: 5.5% per year

Of which : 0.1% price appreciation
5.4% dividend yield (including the 50% *avoir fiscal* tax credit until 2004)

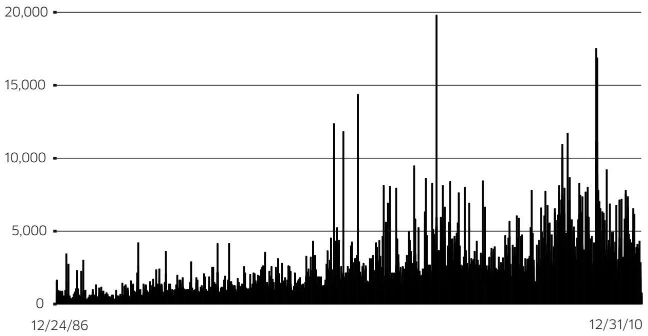
Calculated as follows:

- December 29, 2000 share price: €37.998[4]
- 2001-2008 cash dividends
- 2009 and 2010 stock dividends
- December 31, 2010 share price: €38.500

(1) Source: NYSE Euronext Paris SA.
(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.
(4) Adjusted for the effects of the February 2009 rights issue.

Trading volume (in thousands)[5]

Trading volume adjusted for the 4-for-1 stock-split in June 2002



Trading volume since September 2009[6]

(source: NYSE Euronext Paris SA)

Paris Stock Exchange ISIN FR0000125007	Number of shares	Amount *(in €)*	High *(in €)*	Low *(in €)*
2009				
September	62,481,664	2,079,894,322	36.080	29.000
Octobrer	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	**225,997,978**	**8,113,567,710**		
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
March	51,674,417	1,849,104,770	37.185	34.515
April	53,887,954	2,023,895,679	40.280	35.700
May	92,893,333	3,063,101,297	37.550	29.305
June	107,218,476	3,444,227,902	35.080	29.850
July	62,548,166	1,988,977,495	34.180	29.685
August	65,225,911	2,024,019,811	34.470	27.810
September	61,621,232	1,963,485,669	33.530	28.875
October	53,496,923	1,823,410,523	35.780	31.455
November	65,578,239	2,349,273,526	37.830	33.490
December	54,050,984	2,029,801,530	40.540	34.720
TOTAL	**784,568,722**	**26,580,306,908**		
2011				
January	50,856,494	2,094 ,914,304	43.870	37.470
February	44,460,554	1,883,318,655	43.870	40.100

The London Stock Exchange no longer provides details of trading volumes since the end of October 2007.

A total of 290,200 shares were traded on the Frankfurt Stock Exchange in 2010 (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 Compañía Industrial El Volcán (Santiago de Chile Stock Exchange).

Bonds

During 2010:

- On April 16, a €1 billion bond issue was redeemed at maturity by Saint-Gobain Nederland.
- On March 17, a €400 million bond issue was redeemed at maturity by Compagnie de Saint-Gobain.
- On October 8, 2010, Compagnie de Saint-Gobain issued €750 million worth of 4.00% bonds due 2018. The issue proceeds were used to refinance €634 million worth of bonds due May 2013 (initial nominal amount €750 million, 6.00% coupon), September 2013 (initial nominal amount €750 million, 7.25% coupon) and July 2014 (initial nominal amount €1 billion, 8.25% coupon). In addition, to optimize the investment of its liquid assets, Compagnie de Saint-Gobain bought back €323 million in 4.25% bonds from a €1.1 billion issue due May 2011.
  These transactions extended and smoothed the Group's bond debt maturities by reducing the 2011, 2013 and 2014 maturities, while also bringing down average borrowing costs.

(5) Source: NYSE Euronext Paris SA
(6) 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 Euronext.

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. In 1999 these securities were converted into euros and their face value set at €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 2009 results it was also at this level in 2010, representing €7.43 per security.

Trading volume since September 2009

(source: NYSE Euronext Paris SA)

Paris Stock Exchange ISIN FR0000140030	Number of securities	Amount *(in €)*	High *(in €)*	Low *(in €)*
2009				
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	**13,060**	**1,912,416**		
2010				
January	5,724	847,302	150.00	138.90
February	3,984	590,202	150.00	142.00
March	6,507	973,739	150.00	148.00
April	2,952	442,047	155.00	138.15
May	3,517	500,089	151.00	126.00
June	2,060	304,838	152.00	142.00
July	704	106,063	167.00	147.80
August	1,353	202,335	156.95	148.00
September	1,604	240,061	155.00	149.20
October	1,589	238,101	154.85	140.00
November	2,334	350,274	153.00	148.05
December	1,501	225,936	154.90	148.05
TOTAL	**33,829**	**5,020,987**		
2011				
January	1,242	187,142	154.90	146.05
February	775	119,891	157.80	150.00

Trading volume since September 2009

(source: NYSE Euronext Paris SA)

Paris Stock Exchange ISIN FR0000047607	Number of shares	Amount *(in €)*	High *(in €)*	Low *(in €)*
2009				
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	**577**	**77,708**		
2010				
January	100	13,545	138.05	131.50
February	104	14,353	138.01	138.00
March	171	23,896	140.01	139.00
April	49	6,964	143.55	141.00
May	50	7,080	143.00	141.00
June	109	15,399	143.42	140.00
July	29	4,201	145.10	139.00
August	123	16,961	144.63	137.62
September	6	852	142.00	142.00
October	320	44,498	139.18	139.00
November	1,283	177,523	139.00	138.00
December	140	19,164	138.00	136.00
TOTAL	**2,484**	**344,436**		
2011				
January	10	1,387	138.70	138.70
February	70	9,840	142.00	140.00

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 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 2010 amounted to €58.88 per security, paid in two installments (€33.75 and €25.13).

Trading volume since September 2008

(source: Luxembourg Stock Exchange)

Luxembourg Stock Exchange ISIN LU0002804531	Number of securities	Amount *(in €)*	High *(in €)*	Low *(in €)*
2008				
May	2,000	2,342	1,173.50	1,168.50
June	10,000	11,568	1,163.50	1,150.00
Total	**12,000**	**13,910**		
2009		**No trades**		
2010				
November	1,999,000	2,298,850	1,150.00	1,150.00

No other securities issued by Compagnie de Saint-Gobain were traded on a stock market in 2010.

OWNERSHIP STRUCTURE

Capital stock

At December 31, 2010, Compagnie de Saint-Gobain's capital stock amounted to €2,123,345,764, represented by 530,836,441 common shares with a par value of €4, compared with 512,931,016 shares at the previous year-end.

During 2010 a total of 17,905,425 shares were issued, including (i) 4,993,989 shares offered to members of the Group Savings Plan, (ii) 12,861,368 shares issued upon reinvestment of dividends, and (iii) 50,068 shares issued on exercise of the same number of stock options.

Ownership structure

	December 31, 2010		December 31, 2009		December 31, 2008	
(in %)	Capital stock	Voting rights	Capital stock	Voting rights	Capital stock	Voting rights
Wendel	17.5	26.3	17.5	25.3	21.3	20.5
Employees, through corporate mutual funds	7.8	10.7	7.6	9.6	7.8	11.9
Caisse des Dépôts et Consignations	2.9	3.5	3.2	3.6	3.3	3.2
COGEMA	1.1	1.9	1.2	2	1.6	1.5
Groupama	1.9	1.6	2	1.6	2	1.9
PREDICA	0.7	1.2	1.7	2.4	1.6	1.6
Treasury stock	0.9	0	0.8	0	1.2	0
Others	67.2	54.8	66	55.5	61.2	59.4
TOTAL	**100**	**100**	**100**	**100**	**100**	**100**

To the best of the Company's knowledge, 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, 2010, 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, 2010, a total of 661,293,525 voting rights were attached to the 530,836,441 shares outstanding (including non-exercisable rights attached to treasury stock).

Notifications received under disclosure threshold rules in 2010

No notifications were received in 2010 stating that any legal disclosure thresholds had been crossed.

On February 9, 2011, the French securities regulator (Autorité des Marchés Financiers – "AMF") published an "ownership interest" statement (déclaration de participation) in which it was informed that AXA Investment Managers Paris had transferred to Amundi Asset Management the management of the Saint-Gobain PEG France corporate mutual fund. Amundi Asset Management stated that as of February 3, 2011, this corporate mutual fund held 6.53% of Saint-Gobain's capital and 9.01% of the voting rights.

Changes in capital over the last five years

Date	Capital stock	Number of shares	
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
05-10	€2,071,700,020	517,925,005	Employee rights issue: 4,993,989 shares issued to the Group Savings Plan (€28.70 per share)
06-10	€2,123,145,492	530,786,373	Dividend reinvestment program: issuance of 12,861,368 shares (€28.58 per share)
12-10	€2,123,345,764	530,836,441	Issuance of 50,068 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:

- 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.

At the Annual General Meeting of June 3, 2010, 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 €60 per share. This authorization is valid until December 2011;
- 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 €512 million. This authorization is valid until December 2011.

In 2010, the following four authorizations were used:
- share buybacks and sales: 1,000,000 shares were purchased and 461,473 shares were sold on exercise of stock options granted in prior periods;
- Group Savings Plan: 4,993,989 shares were issued under the plan;
- stock options: 1,144,730 options were granted;
- stock grants: 737,550 performance shares were granted.

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, 2010 are as follows:

- as explained above, the Board of Directors has been authorized by shareholders to issue stock warrants exercisable for up to €512 million worth of shares (excluding premiums) while a takeover bid for the Company is in progress. The current authorization expires in December 2011;
- in the case of a change of control of Compagnie de Saint-Gobain:
  - several 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 128 million at December 31, 2010,
  - the bonds issued by the Company since 2006 could become redeemable and accrued interest on the bonds could become immediately due under certain conditions. At December 31, 2010, the amounts concerned were as follows (relating to the two tranches of each issue): €1,477 million under the May 2006 issue, £600 million under the November 2006 issue, €2,500 million under the April 2007 issue, €605 million under the September 2008 issue, €686 million under the January 2009 issue, €575 million under the May 2009 issue, €200 million under the June 2009 issue and €750 million under the October 2010 issue. In addition, the agreements relating to the syndicated lines of credit for general corporate purposes set up in June 2009 (€1,000 million) and December 2010 (€3,000 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 2010, 4,993,989 shares were issued under a standard plan with a five or ten-year lock-up, for a total of €143.3 million after skimming off 15.3% of the subscriptions (2009: 8,498,377 shares and €134 million).

In France, 47.5% 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 34,800 employees invested in the PEG in 2010.

At December 31, 2010, the corporate mutual funds held 7.8% of the Company's capital and 10.7% of the voting rights.

A new non-leveraged plan has been launched since the beginning of 2011, giving employees the opportunity to acquire up to 4.5 million shares with a five or ten-year lock-up.

Stock option and performance share 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 2000 have expired, meaning that these plans are now terminated.

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 and 2009 plans, 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.

Two plans were set up in 2009: (i) an international stock grant plan for all employees and officers of the Group as of November 19, 2009 who had served in that capacity since at least October 31, 2009, and (ii) a combined stock option/performance share plan for 1,701 grantees.

The decision to grant stock options and/or performance shares is made by the Board based on the recommendation of the Appointments Committee. The members of this Committee in 2010 were Jean-Martin FOLZ (Chairman), Bernard GAUTIER, Sylvia JAY and Jean-Cyril SPINETTA.

In November 2010, the Board of Directors set up the following plan:

Combined Performance Stock Option/Performance Share Plan

This plan has been set up for 1,714 grantees corresponding to high-potential managers and managers who have performed exceptionally well (286 grantees), the key corporate and line executives in the Sectors and Delegations (1,389 grantees), members of the Group Coordination Committee excluding the senior executive team (29 grantees) and Group Executive Management (10 grantees). In all, the grantees represent 49 different nationalities and are based in 48 different countries.

The plan involves a total of 1,144,730 performance stock options and 737,550 performance shares. The grantees under the plan all received both options and shares with the ratio of shares to options inversely proportional to their level of responsibility within the Group.

The performance conditions attached to the stock options and performance shares are as follows:

- the grantee must be an employee or officer of a Saint-Gobain company at the exercise date of the stock options and/or must have held such a position throughout the vesting period of the performance shares, except in a number of defined 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;
- exercise of the stock options is contingent on Saint-Gobain's stock market performance compared with a reference stock market index which is based for 50% on the CAC 40 and for 50% on a sample of eight listed companies[1] operating in one or more of Saint-Gobain's businesses. The performance shares will vest based on the achievement of ROCE targets set for the Group (excluding the Packaging Sector).

The applicable performance conditions are as follows:

a) For the stock options, Saint-Gobain's stock market performance will be calculated by comparing average prices for Saint-Gobain shares and for the reference index over the three months to November 18, 2014 with the average prices for the three months to November 18, 2010. Based on this comparison, at the end of the four-year vesting period the options will be exercisable as follows:

- if Saint-Gobain's stock market performance exceeds that of the reference index by at least 20%, all of the options will be exercisable;
- if Saint-Gobain's stock market performance exceeds that of the reference index by between 10% and 20%, only 75% of the options will be exercisable;
- if Saint-Gobain's stock market performance is between 10% lower and 10% higher than that of the reference index, only 50% of the options will be exercisable;
- if Saint-Gobain's stock market performance is between 10% and 20% lower than that of the reference index, only 25% of the options will be exercisable;
- if Saint-Gobain's stock market performance is 20% or more below that of the reference index, none of the options will be exercisable;

b) For the performance shares, achievement of the vesting conditions will be calculated as follows for 2011 and 2012:

2011 (for 50% of the total performance shares granted):

- if ROCE is higher than 10.5%, all of the shares subject to the performance conditions will vest;
- if ROCE is between 10% and 10.5%, 75% of the shares subject to the performance conditions will vest;
- if ROCE is between 9% and 9.99%, 50% of the shares subject to the performance conditions will vest;
- if ROCE is between 8.5% and 8.99%, 25% of the shares subject to the performance conditions will vest;
- if ROCE is lower than 8.5% none of the shares subject to the performance conditions will vest.

2012 (for 50% of the total performance shares granted):

- if ROCE is higher than 12%, all of the shares subject to the performance conditions will vest;
- if ROCE is between 11% and 12%, 75% of the shares subject to the performance conditions will vest;
- if ROCE is between 10% and 10.99%, 50% of the shares subject to the performance conditions will vest;

(1) NSG, 3M, Imerys, CRH, Travis Perkins, Wolseley, Owens Corning and Rockwool.

- if ROCE is between 9% and 9.99%, 25% of the shares subject to the performance conditions will vest;
- if ROCE is lower than 9%, none of the shares subject to the performance conditions will vest.

However, the first 100 shares allocated to each grantee are exempt from performance conditions (except for shares allocated to Coordination Committee members which are all subject to performance conditions).

As for the 2008 and 2009 plans, 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 2010 was set at the average of the prices quoted for Saint-Gobain shares over the 20 trading days preceding the grant date, i.e. €35.19.
There are no other stock option plans in progress and no other options on the shares of French or foreign listed or unlisted Group companies.

Concerning stock options, pursuant to article L.225-185 of the French Commercial Code, the Board has decided that 50% of the net capital gain (after deducting payroll taxes and other personal taxes) realized by Pierre-André de CHALENDAR, Chairman and Chief Executive Officer, on the sale of shares acquired upon exercise of the options granted to him 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 personally by M. de CHALENDAR in registered form represents the equivalent of five years of his gross fixed compensation. In order to calculate the number of years, months and days of gross fixed compensation that M. de CHALENDAR's registered shares represent, the total number of Saint-Gobain shares that he holds personally in registered form will be multiplied by the opening price quoted for Saint-Gobain shares on the option exercise date and compared with the amount of his gross fixed compensation applicable at that time.

Concerning performance shares, in accordance with the AFEP-MEDEF Corporate Governance Code applicable to French listed companies, the Board has decided to require the Chairman and Chief Executive Officer to purchase an additional number of Saint-Gobain shares corresponding to one quarter of his vested performance shares, within sixty days of the end of the lock-up period applicable to his performance shares. This obligation will cease to apply if and when the total number of Saint-Gobain shares held personally by the Chairman and Chief Executive Officer in registered form represents the equivalent of three years of his gross fixed compensation. In order to calculate the number of years, months and days of gross fixed compensation that M. de CHALENDAR's registered shares represent, the total number of Saint-Gobain shares that he holds personally in registered form will be multiplied by the average of the prices quoted for Saint-Gobain shares over the twenty trading days following the end of the lock-up period and compared with the amount of his gross fixed compensation applicable at that time.

Transactions in Compagnie de Saint-Gobain securities

In 2010, 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 €)*
Jean-Louis BEFFA	Shares	Dividend reinvestment	June 21, 2010	28.58	240,129.16
	Shares	Dividend reinvestment	July 2, 2010	28.58	6,973.52
	Shares	Sale	August 2, 2010	33.2789	340,909.05
	Stock options	Exercise	November 4, 2010	34.11	413,242.65
	Shares	Sale	November 4, 2010	35.58	431,051.70
Jean-Martin FOLZ	Shares	Dividend reinvestment	July 2, 2010	28.58	1,396.50
Bernard GAUTIER	Shares	Dividend reinvestment	July 2, 2010	28.58	914.56

Share buybacks

In 2010, the Company bought back one million shares directly on the market for €36.2 million. A total of 461,473 Saint-Gobain shares were sold during the year to stock option grantees exercising their options, for an aggregate amount of €15.1 million.

No shares were canceled during 2010.

Article L.225-209 of the French Commercial Code also requires disclosure of the number of shares held in treasury. At December 31, 2010, 4,487,136 shares representing 0.85% of the capital were held in treasury for allocation on exercise of stock options, as follows:

Plan	Number of shares	Purchase price *(in €)*
2001	1,874,182	83,329,908
2002	1,202,152	62,908,837
2009	1,410,802	53,787,297

Shares held in treasury at December 31, 2010 were acquired at an average cost of €44.58 and shares sold during the year on exercise of stock options were acquired at an average cost of €43.46.

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, 2010, 268,500 Saint-Gobain shares were held in the account along with €18,705,334 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
92096 La Défense Cedex
Toll free number 0800 32 33 33
(calls originating in France only)

In 2010, the Company offered its private shareholders a diverse program of on-site visits, stock market courses and meetings with the Group's executives. It also organized meetings with shareholders in Marseille, Strasbourg, Rouen, Nancy, Lille and Dijon as well as a conference during the Salon Actionaria fair in Paris in November, representing the thirteenth year in a row that the Company has taken part in the fair.

Numerous meetings were also organized throughout the year with various members of the financial community, including analysts, institutional investors and journalists. In addition to the annual and interim results presentations held in Paris, London, New York and Boston in February and July, several dozen roadshows were organized in various European financial centers. The Company also held an Investor Day for the financial community on November 15, 2010 during which it presented the main goals of its Habitat and Construction strategy.

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 Securities Services
BP2S/GCT – Emetteur Adhérents Euroclear 30
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2011 FINANCIAL CALENDAR

2010 final results: February 24 after the market closes

First quarter 2011 sales: April 28, after the market closes

Annual General Meeting: June 9 at 3:00 p.m. at Palais des Congrès (Porte Maillot), Paris 17

Dividend:

Ex-dividend date: June 13

Record date: June 15

Dividend payment date: June 16

First-half 2011 results: July 28, after the market closes

Sales for the first nine months of 2011: 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[(1)]:

The following information is correct as of February 1, 2011.

Pierre-André de CHALENDAR
Chairman and Chief Executive Officer of Compagnie de Saint-Gobain

Pierre-André de CHALENDAR, 52, 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 and Chairman and Chief Executive Officer on June 3, 2010.
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)

Jean-Louis BEFFA
Honorary Chairman of Compagnie de Saint-Gobain

Jean-Louis BEFFA, 69, is also Senior Advisor for Lazard Frères, a director of GDF-Suez and Groupe Bruxelles Lambert, a member of the Supervisory Board of Siemens AG, Le Monde SA and Société Editrice du Monde SA, Chairman of Claude Bernard Participations SAS and JL2B Conseils, 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 the Fonds de Réserve des Retraites.
He owns 248,555 Saint-Gobain shares.
Business address: Les Miroirs - 92096 La Défense Cedex (France)

Isabelle BOUILLOT
Chairman of China Equity Links

Isabelle BOUILLOT, 61, is also a director of Umicore, Managing Partner of IB Finance, and an observer on the Board of Directors of Dexia.
She owns 1,532 Saint-Gobain shares.
Business address: 42, rue Henri Barbusse - 75005 Paris (France)

Robert CHEVRIER
Chairman, Société de Gestion Roche Inc.

Robert CHEVRIER, 67, a Canadian citizen, is Chairman of the Board of Directors of Quincaillerie Richelieu Inc., Director and Chairman of the Board and a member of the Audit Committee of the Pension Fund Society of the Bank of Montreal, 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 Sœurs - Verdun - Quebec (Canada H3E 2B4)

Gerhard CROMME
Chairman of the Supervisory Board of ThyssenKrupp AG.

Gerhard CROMME, 67, 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)

(1) Mrs Yuko HARAYAMA resigned from the Board effective September 1, 2010, having taken up a position with the OECD on the same date.

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, 64, is also an advisor to senior management at Saint-Gobain Isover France.
He owns 1,119 Saint-Gobain shares.
Business address: Saint-Gobain Eurocoustic,
7 Place de Saverne 92415 Courbevoie Cedex (France)

Jean-Martin FOLZ

Company Director

Jean-Martin FOLZ, 64, former Chairman of the Managing Board of Peugeot SA and former Chairman of AFEP, is also a director of Société Générale, Alstom, Axa, Carrefour and Solvay and a member of the Supervisory Board of ONF Participations SAS. He owns 1,653 Saint-Gobain shares.
Business address: 11 avenue Delcassé - 75008 Paris (France)

Bernard GAUTIER

Member of the Management Board of Wendel

Bernard GAUTIER, 51, is also Chairman of Winvest International SA SICAR, Chairman of the Management Advisory Board of Winvest Conseil, Legal Manager of Materis Parent, a director of Communication Media Partner, Stahl Holdings BV, Stahl Group SA, Stahl Lux2, Stichting Administratickantor II, Stahl Groep II, Trief Corporation, Wendel Japan KK, Winvest Part BV and a member of the Management Committee of Deutsch Group SAS.
He owns 1,102 Saint-Gobain shares.
Business address: 89 rue Taitbout - 75009 Paris (France)

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 1,030 Saint-Gobain shares.
Business address: 255 Hammersmith Road, London W6 8 AZ (United Kingdom)

Frédéric LEMOINE

Chairman of the Management Board of Wendel

Frédéric LEMOINE, 45, 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 and a director of Flamel Technologies, Groupama and Legrand.
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, 61, 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, GDF Suez Belgium, Hisusa (Spain) and Vice-Chairman of Electrabel and Sociedad General de Aguas de Barcelona.
He owns 840 Saint-Gobain shares.
Business address: 1 Place Samuel de Champlain - Faubourg de l'Arche - 92930 Paris - La Défense

Michel PÉBEREAU

Chairman of the Board of Directors of BNP Paribas

Michel PÉBEREAU, 69, is also a director of Axa, Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Suisse, a member of the Supervisory Board of Banque Marocaine pour le Commerce et l'Industrie, and a non-voting director of Galeries Lafayette. He is also Chairman of the European Financial Round Table, the Commission Banque d'Investissement et de Marchés de la Fédération Bancaire Française and the Management Board of Institut d'Etudes Politiques de Paris and a member of the Académie des Sciences Morales et Politiques, the Haut Conseil de l'Education, the Executive Council of the MEDEF, the Institut International d'Etudes Bancaires, the International Advisory Panel of the Monetary Authority of Singapore and of the International Business Leaders' 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

Chairman of the Board of Directors of Technicolor

Denis RANQUE, 59, is also Chairman of the Board of Seilab Enterprises, a director of CMA-CGM and CGG Veritas, 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: 1 rue Jeanne d'Arc - Issy-les-Moulineaux Cedex (France)

Gilles SCHNEPP

Chairman and Chief Executive Officer of Legrand

Gilles SCHNEPP, 52, is also Chairman and Chief Executive Officer, Chairman of the Board of Directors, Chairman of the Supervisory Board or a director 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.
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 and in light of Yuko HARAYAMA's resignation, as of February 1, 2011 all of these criteria were met by six (40%) of the fifteen directors – Isabelle BOUILLOT, Robert CHEVRIER, Jean-Martin FOLZ, Sylvia JAY, Denis RANQUE and Jean-Cyril SPINETTA – and that these six directors could therefore be qualified as independent. This proportion is lower 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, and to the vacancy as of February 1, 2011 of the seat previously occupied by Yuko HARAYAMA, who had been an independent director.

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:

Mr BEFFA	February 1987	June 2008
Mr PÉBEREAU	June 1993	June 2009
Mr MESTRALLET	November 1995	June 2007
Mrs BOUILLOT	June 1998	June 2008
Mr FOLZ	March 2001	June 2009
Mrs JAY	June 2001	June 2008
Mr RANQUE	June 2003	June 2007
Messrs CROMME and SPINETTA	June 2005	June 2009
Mr de CHALENDAR	June 2006	June 2010
Mr CUSENIER	September 2006	June 2007
Mr CHEVRIER	June 2007	June 2007
Mr GAUTIER	June 2008	June 2008
Mr LEMOINE	April 2009	June 2009
Mr 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:
- Robert CHEVRIER, Bernard CUSENIER, 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;
- Pierre-André de CHALENDAR: 2014 Annual General Meeting.

Other directorships and positions held by members of the Board of Directors in prior years

Director's name and current main position (as of February 1, 2011)	2010	2009	2008	2007	2006
Jean-Louis BEFFA Honorary Chairman 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 Editrice 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 Editrice 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 Editrice 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, 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 Editrice 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 Editrice 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 Umicore • Managing Partner of IB Finance • Observer on the Board of Directors of DEXIA	• Chairman of China Equity Links • Director of Accor, 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 • Managing Partner of IB Finance • Director of Accor and Umicore
Pierre-André de CHALENDAR Chairman and 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 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 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 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 Human Resources Committee of CGI Inc.	

Director's name and current main position (as of February 1, 2011)	2010	2009	2008	2007	2006
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 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	
Bernard CUSENIER Senior Management Advisor for Saint-Gobain Isover	• Chief Operating Officer of Saint-Gobain 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	• 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 Company Director	• Chairman of AFEP • Director of Société Générale, Alstom, Carrefour and Solvay • Member of the Supervisory Board of Axa and ONF Participations SAS	• 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	
Bernard GAUTIER Member of the Managing Board of Wendel	• Chairman of the Managing Board of Wendel • Chairman of Winvest International SA SICAR • Chairman of the Management Advisory Board of Winvest Conseil • Member of the Supervisory Board of Legron BV and Materis Parent • Director of Communication Media Partner, Stahl Holdings BV and Group BV, Trief Corporation, Wendel Japan KK • Member of the Supervisory Board of Altineis • Legal Manager of BG Invest, BJPG Conseil, SCI La République, La Cabane Saint-Gautier BJPG Participations, BJPG Assets, Sweet Investment Ltd	• Chairman 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 Group BV, Trief Corporation, 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, Sweet Investment Ltd	• Chairman of the Managing Board of Wendel • Vice-Chairman of the Supervisory Board of Editis Holding • Director of Communication Media Partner, Stahl Holdings BV and Group BV, 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, La Cabane Saint-Gautier		
Sylvia JAY Vice-Chairman of L'Oréal UK	• Vice-Chairman of L'Oréal UK • Director of Alcatel Lucent and Lazard Limited • Chairman du Pilgrim Trust • Trustee of the Entente Cordiale Scholarship Scheme, of the Prison Reform Trust and The Body Shop Foundation	• Vice-Chairman of L'Oréal UK • Director of Alcatel Lucent and Lazard Limited • Chairman of the Pilgrim Trust and Food from Britain • Trustee of the Entente Cordiale Scholarship Scheme, of the Prison Reform Trust and The Body Shop Foundation	• Vice-Chairman of L'Oréal UK • Director of Alcatel Lucent and Lazard Limited • Chairman of the Pilgrim Trust and Food from Britain • Trustee of the Entente Cordiale Scholarship Scheme, of 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, of 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 Scholarships Scheme and the Prison Reform Trust

Director's name and current main position (as of February 1, 2011)	2010	2009	2008	2007	2006
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	• 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, and Director of Pargesa Holding • Chairman of the Board of Directors of GDF Suez Energie Services, Suez Environment Company, Suez-Tractebel (Belgium), Hisusa (Spain) • Vice-Chairman of Electrabel and Sociedad General de Aguas de Barcelona	• Chairman and Chief Executive Officer of GDF Suez • Member of the Supervisory Board of Axa, and Director of Pargesa Holding • Chairman of the Board of Directors of GDF Suez Energie Services, Hisusa, Suez Environnement Company • Vice-Chairman of Hisusa and Sociedad General de Aguas de Barcelona • Chairman of the Board of Directors of Suez Tractebel	• Chairman and Chief Executive Officer of GDF Suez • Member of the Supervisory Board of Axa, and Director of Pargesa Holding • Chairman of the Board of Directors of Suez-Tractebel, Suez Environnement, Electrabel, Suez Energie Services, Hisusa and Suez Environnement Company • Vice-Chairman of Sociedad General de Aguas de Barcelona	• Chairman and Chief Executive Officer of Suez • Member of the Supervisory Board of Axa, and Director of Pargesa Holding • Chairman of the Board of Directors of Suez-Tractebel, Suez Environnement, Electrabel, Suez Energie Services, Hisusa and Houlival • Vice-Chairman of Sociedad General de Aguas de Barcelona	• Chairman and Chief Executive Officer of Suez • Member of the Supervisory Board of Axa, and Director of Pargesa Holding • Chairman of the Board of Directors of Suez-Tractebel, Suez Environnement, Electrabel, and Suez Energie Services • Vice-Chairman of Hisusa and of Sociedad General de Aguas de Barcelona • Chairman and Chief Executive Officer of Suez
Michel PÉBEREAU 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'Education, the Executive Council of the MEDEF, the Institut International d'Etudes Bancaires, the European Financial Round Table, the International Advisory Panel of the Monetary Reserve Bank of Singapore 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 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'Education, the Executive Council of the MEDEF, the Institut International d'Etudes Bancaires, the European Financial Round Table, the International Advisory Panel of the Monetary Reserve Bank of Singapore 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 the Fédération Bancaire Européenne, the 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'Etudes 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'Education, the Executive Council of the MEDEF, the European Financial Round Table, the International Advisory Panel of the Federal Reserve Bank of Singapore 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 et and Banque Marocaine pour le Commerce et l'Industrie • Non-voting Director of Galeries Lafayette • Chairman of Fédération Bancaire Européenne, the 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'Etudes Politiques de Paris • Chairman of the Supervisory Board of Institut Aspen France • Member of the Haut Conseil de l'Education, the Conseil Exécutif du MEDEF, the International Advisory Panel of the Monetary Authority of Singapore, the International Capital Markets Advisory Committee of the Federal Reserve Bank of Singapore 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'Education, the Conseil Exécutif du MEDEF, the International Advisory Panel of the Monetary Authority of Singapore, the International Capital Markets Advisory Committee of the Federal Reserve Bank of Singapore and the International Business Leaders' Advisory Council for the Mayor of Shanghai

Director's name and current main position (as of February 1, 2011)	2010	2009	2008	2007	2006
Denis RANQUE Chairman of the Board of Directors of Technicolor	• Director of Technicolor • Chairman of the Board of Directors of École Nationale Supérieure des Mines Paris, Cercle de l'Industrie and Association Nationale de la Recherche et de la Technologie • Director of CMA-CGM	• Chairman and Chief Executive Officer of Thales • Chairman of the Board of Directors of École Nationale Supérieure des Mines 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 l'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 on the Board of Directors and/or Supervisory Boards of various Legrand group subsidiaries	• 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 et Air France-KLM • Chairman of the Supervisory Board of Areva • Director of Alcatel Lucent	• 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

To the best of the Company's knowledge, 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 by 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 personal and professional activities of the members of its Board of Directors 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 3, 2010, the Board of Directors of Compagnie de Saint-Gobain decided to recombine the functions of Chairman and Chief Executive Officer by appointing Pierre-André de CHALENDAR as Chairman and Chief Executive Officer and naming Jean-Louis BEFFA as Honorary Chairman, effective from the date of the meeting. The roles of Chairman and Chief Executive Officer were separated in June 2007 to ensure a smooth handover of powers from Jean-Louis BEFFA – then reaching the age limit for the position of Chief Executive Officer – and Pierre-André de CHALENDAR. Jean-Louis BEFFA has now reached the age limit for the position of Chairman, leading to the decision to combine the two roles once again in line with the Group's longstanding management tradition.

In line with the guidelines 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, 2010 describe the Board's organization and practices. They can be summarized as follows:

- *Board meetings.* The Board holds seven scheduled meetings each 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 (which was 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 the 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. However, if any such conflicts of interest should arise, they must inform the Chairman and Chief Executive Officer and refrain from participating in discussions and votes on the topics concerned.

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 80.
- *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.

(1) The ban 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.

Board assessments

In accordance with the Board's internal rules, assessments of its performance are carried out at regular intervals. These assessments are conducted with the assistance of outside consultants every three years[1] 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 retained to perform the assessment. Four main recommendations were made: (i) hold one Board meeting a year that is not attended by the Chief Executive Officer, (ii) gain a broader knowledge of the work performed by Sector Directors, (iii) transform the annual Board meeting devoted to examining the Group's business strategy into a strategy seminar, and (iv) combine in a single meeting the Board's analysis and assessment of the Group's risk exposures. The Board has decided to implement these recommendations.
A new assessment, conducted by the Appointments Committee, was initiated in February 2011.

Board meetings

The Board of Directors met eight times in 2010, with an average attendance rate of 91%.

Committees of the Board

Financial Statements Committee

Michel PÉBEREAU, Chairman
Isabelle BOUILLOT
Jean-Martin FOLZ (from February 25, 2010)
Frédéric LEMOINE (from February 25, 2010)
Denis RANQUE

The Committee does not comprise any executive directors and 60% of its members, compared with two-thirds previously, are independent (see pages 66-67).
Each Committee member has specific skills in financial and accounting matters.

Based on the Board of Directors' internal rules in force at end-2010, 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 auditors on the financial statements of the Company and the Group, and (iv) the independence of the 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 result.
- 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.

(1) See page 55 of the 2000 Annual Report, page 26 of the 2003 Annual Report and page 26 of the 2006 Annual Report.

- Reviews the advisory and other services that the auditors and the 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 to 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 2010, 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 Group for the year ended December 31, 2009 and the six months ended June 30, 2010 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 information from each of the auditors concerning the amount of fees paid to them by Group companies in 2009 for statutory audit work and other services. The auditors' fees for 2009 and 2010 are presented on page 86. 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 2010, the Committee also reviewed (i) the draft report of the Chairman on internal control and risk management, (ii) the Group's internal control framework, (iii) a report prepared by the auditors on cash management transactions, (iv) the Internal Audit and Internal Control department's activity report for 2009, its 2010 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 Financial Statements Committee reported to the Board on its activities during the Board meetings of February 25, July 29 and September 23, 2010.

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 66-67).

The Appointments Committee fulfills the duties of both a remunerations committee and a nominations committee 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-2010, 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 compensation, 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 2010, 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 2009, as well as on the amount of their fixed compensation for 2010 and the performance criteria to be applied to determine their 2010 bonuses (see page 79).
- It also recommended that the Board (i) revise the commitment given by the Board in 2008 to pay Pierre-André de CHALENDAR compensation for loss of office in certain circumstances and a non-compete indemnity, and (ii) authorize the inclusion of executive directors without an employment contract in Compagnie de Saint-Gobain's death, disability and health insurance plan.
- The Committee discussed Pierre-André de CHALENDAR's re-election as director at the Annual General Meeting of June 3, 2010 and informed the Board of its recommendation on this matter, as well as on the replacement of Jean-Louis BEFFA as Chairman of the Board after the Annual General Meeting. The Committee also recommended appointing two new members, Jean-Martin FOLZ and Frédéric LEMOINE, to the Financial Statements Committee.
- The Committee addressed the issue of seeking candidates to replace Yuko HARAYAMA, who stood down on September 1, 2010, as well as the upcoming expiration of the terms of certain directors.
- The Committee reviewed the Company's stock option and performance share plans[1] and issued its recommendations to the Board in this respect.

The Appointments Committee reported to the Board on its activities during the Board meetings of February 25, March 25, September 23 and November 18, 2010.

Strategy Committee

Jean-Cyril SPINETTA, Chairman
Pierre-André de CHALENDAR
Frédéric LEMOINE

The Strategy Committee is chaired by an independent director.

In accordance with the Board of Directors' internal rules in force at end-2010, 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 Strategy Committee met six times in 2010, with an attendance rate of 100%.

During these meetings, the Committee discussed the Construction Products Sector, expansion plans in emerging markets, cross-functional and development programs in solar solutions, the 2011-2015 business plan, Group and Sector strategy and research and development.

The Strategy Committee reported to the Board on its activities during the Board meetings of March 25, September 23 and November 18, 2010.

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, for 2009 and subsequent years:

- 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, the Appointments Committee and the Strategy Committee (excluding Pierre-André de CHALENDAR) 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 2010 are shown in table 3 below.

(1) The Group's stock option policy and the characteristics of the current stock option and share grant plans are presented on pages 62 to 64.

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, the Chief Executive Officer and, subsequently the Chairman and Chief Executive Officer, for 2010, as decided by the Board, were as follows:

- Jean-Louis BEFFA's compensation as Chairman of the Board of Directors for the period up to the close of the Annual General Meeting on June 3, 2010 was prorated to the period served, based on an annual fixed portion of €700,000 and an annual variable bonus of up to €350,000. The bonus was based on qualitative objectives relating to Board efficiency, relations between the Board and its committees and the balance between the Chairman's duties and those of the Chief Executive Officer;
- Pierre-André de CHALENDAR's compensation as Chief Executive Officer for the period up to the close of the Annual General Meeting on June 3, 2010 was prorated to the period served, based on an annual fixed salary of €800,000 and an annual variable bonus of up to 1.5 times the fixed salary. Sixty percent of the bonus was based on four indicators – the Group's return on capital employed (ROCE), operating income, net earnings per share and operating free cash flow – each counting for one-quarter of the total. The remaining 40% was based on qualitative objectives relating to i) his professional performance and implementation of Group strategy as decided by the Board and ii) his ability to swiftly respond to changes in the economic environment and market trends, and to lead the Group's faster expansion in emerging markets and the rollout of the energy efficiency strategy;
- his performance in relation to these objectives was assessed by the Appointments Committee and the Board's decision was based on the Committee's recommendation;
- Pierre-André de CHALENDAR's compensation as Chairman and Chief Executive Officer for the period between his appointment as Chairman on June 3, 2010 up to December 31, 2010 was prorated to the period served, based on an annual fixed salary of €1,100,000 and an annual variable bonus of up to 1.5 times the fixed salary. Sixty percent of the bonus was based on four indicators – the Group's return on capital employed, operating income, net earnings per share and operating free cash flow – each counting for one quarter of the total. The remaining 40% was based on qualitative objectives relating to his professional performance, the efficiency of the Board and its Committees, the implementation of Group strategy as decided by the Board and his ability to swiftly respond to changes in the economic environment and market trends, and to lead the Group's faster expansion in emerging markets and the rollout of the energy efficiency strategy.
- Details of the compensation paid to the Chairman and the Chief Executive Officer and the Chairman and Chief Executive Officer are provided in tables 1 and 2 below.
- Concerning benefits awarded to executive directors whose disclosure is required by law, 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 is 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 has been eligible to receive this pension since June 3, 2010, when he retired as Chairman of the Board of Directors. The amount payable by Compagnie de Saint-Gobain represents around €558,000 per year.
- 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 3, 2010 also approved the Board's decision to modify the commitment previously given to Pierre-André de CHALENDAR in his capacity as 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, 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 SGPM defined benefit plan;

– shareholders at the Annual General Meeting of June 3, 2010 also ratified the Board's decision according to which, 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 SGPM defined benefit pension plan[(1)], in the same way as all other plan participants;

– shareholders 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, shareholders 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.

- Pierre-André de CHALENDAR tendered his resignation under his employment contract on June 3, 2010.
- Jean-Louis BEFFA, while Chairman of the Board up to June 3, 2010, and Pierre-André de CHALENDAR each had use of a chauffeur driven company car.
- Pierre-André de CHALENDAR does not receive any directors' attendance fees from Compagnie de Saint-Gobain or from any Saint-Gobain subsidiary.

(1) The SGPM pension plan covers all employees who joined Compagnie de Saint-Gobain before January 1, 1994 and who retire at 60 or over on a full pension under the compulsory government-sponsored schemes after contributing to the SGPM plan for at least 15 years. Benefits under the plan are determined so that retirees receive a guaranteed total income in retirement. The guaranteed amount depends on the retiree's years of service (up to 35 years), and is determined on a declining scale for each tranche of gross annual compensation excluding exceptional or temporary payments. Benefits received by the retiree under other basic and supplementary pension plans during the period are deducted from the guaranteed amount for the purpose of calculating the plan benefits. The seniority-based supplementary pension benefit corresponds to the difference between the total guaranteed income and the deductible benefits. As of December 31, 2010, 172 retired former employees of Compagnie de Saint-Gobain were receiving benefits under the plan and a further 75 active employees would be entitled to benefits on retirement.

1. Total compensation, stock options and performance shares awarded to the Chairman and Chief Executive Officer

(in euros)	2009	2010
Jean-Louis BEFFA, Chairman of the Board of Directors		
Compensation for the year (see Table 2 for details)	1,052,072	447,907
Value of stock options granted during the year (see Table 4 for details)	0	0
Value of performance shares granted during the year (see Table 6 for details)	170	0
TOTAL	**1,052,242**	**447,907**
Pierre-André de CHALENDAR Chief Executive Officer		
Compensation for the year (see Table 2 for details)	1,282,656	2,437,696
Value of stock options granted during the year (see Table 4 for details)	2,086,000	561,600
Value of performance shares granted during the year (see Table 6 for details)	170	538,200
TOTAL	**3,368,826**	**3,537,496**

2. Compensation and benefits awarded to the Chairman and the Chief Executive Officer

(in euros)	2009		2010	
Jean-Louis BEFFA Chairman of the Board of Directors	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	612,024	612,024	261,532	261,532
Variable bonus	350,000	260,000	147,671	237,671
Exceptional bonus	0	0	0	0
Directors' attendance fees	0	0	0	(*)
Benefits in kind: - Accommodation - Company car	87,972 2,076	87,972 2,076	37,822 882	37,822 882
TOTAL	**1,052,072**	**962,072**	**447,907**	**537,907**
Pierre-André de CHALENDAR Chief Executive Officer	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	800,004	800,004	974,907	974,907
Variable bonus	480,000	177,500	1,460,137	452,500
Exceptional bonus	0	0	0	0
Directors' attendance fees	0	0	0	0
Benefits in kind: - Accommodation - Company car	2,652	2,652	2,652	2,652
TOTAL	**1,282,656**	**980,156**	**2,437,696**	**1,430,059**

(*) Directors' attendance fees received by Jean-Louis BEFFA in respect of the period from June 4 to December 31, 2010 are presented in Table 3.

3. Directors' attendance fees and other compensation received by non-executive directors

Non-executive directors		Gross amounts paid *(in €)* For 2009	For 2010
BEFFA Jean-Louis	Directors' attendance fees Pension benefits	–	27,591 265,976
BOUILLOT Isabelle	Directors' attendance fees	57,974	56,520
CACCINI Gianpaolo	Directors' attendance fees	26,413	0
CHEVRIER Robert	Directors' attendance fees	46,102	48,020
CROMME Gerhard	Directors' attendance fees	49,474	44,375
CUSENIER Bernard	Directors' attendance fees	52,845	51,666
FOLZ Jean-Martin	Directors' attendance fees	65,845	64,666
GAUTIER Bernard	Directors' attendance fees	63,345	62,166
HARAYAMA Yuko	Directors' attendance fees	46,102	29,563
JAY Sylvia	Directors' attendance fees	63,345	58,520
LAFONTA Jean-Bernard	Directors' attendance fees	24,268	0
LEMOINE Frédéric	Directors' attendance fees	43,077	66,166
MESTRALLET Gérard	Directors' attendance fees	46,102	48,020
PEBEREAU Michel	Directors' attendance fees	60,473	55,375
RANQUE Denis	Directors' attendance fees	57,973	56,520
SCHNEPP Gilles	Directors' attendance fees	23,060	51,666
SPINETTA Jean-Cyril	Directors' attendance fees	73,602	79,166
TOTAL ATTENDANCE FEES **TOTAL OTHER COMPENSATION**		**800,000**	**800,000** **265,976**

None of the non-executive directors received any other compensation from Compagnie de Saint-Gobain or any Saint-Gobain subsidiary for 2009 or 2010.

4. Stock options granted to the Chairman and the Chief Executive Officer during the year

Name	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				0		
Pierre-André de CHALENDAR	November 18, 2010	Not specified	561,600	130,000	€35,19	November 18, 2014 to November 17, 2020

The performance and other conditions applicable to these stock options are describe on page 63.

5. Options exercised during the year by the Chairman and the Chief Executive Officer

Name	Plan date	Options exercisable for new or existing shares	Number of options exercised during the year	Exercise price
Jean-Louis BEFFA	November 16, 2000	Existing shares	12,115 (*)	€34,11
Pierre-André de CHALENDAR			0	

(*) These options were exercised on November 4, 2010, when Jean-Louis BEFFA was no longer Chairman of the Board.

6. Performance shares granted to the Chairman and the Chief Executive Officer during the year

Name	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		0				
Pierre-André de CHALENDAR	November 18, 2010	20,000	€538,200	March 30, 2013	March 30, 2015	*

(*) The performance and other conditions applicable to these share grants are described on page 63.

7. Performance shares granted to the Chairman and the Chief Executive Officer for which the lock-up period ended during the year

Name	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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Date of General Meeting	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	June 4, 2009
Date of Board Meeting						Feb. 27, 2006				
	Nov. 22, 2001	Nov. 21, 2002	Nov. 20, 2003	Nov. 18, 2004	Nov. 17, 2005	Nov.16, 2006	Nov.22, 2007	Nov. 20, 2008	Nov. 19, 2009	Nov. 18, 2010
Total shares under option	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	1,144,730
Adjustment to the number of shares under option[1]	180,707	125,172	282,934	383,963	397,330	420,314	383,133	375,614	N/A	N/A
Adjusted number of shares under option:	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	1,144,730
of which: options granted to corporate officers							331,725	276,439	200,000	130,000
Jean-Louis BEFFA							110,575	82,932	0	0
Pierre-André de CHALENDAR							221,150	193,507	200,000	130,000
Starting date of exercise period	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	Nov. 19, 2014
Expiry date of exercise period	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	Nov. 17, 2020
Exercise price[1]	€36.37	€21.28	€32.26	€39.39	€41.34	€52.52	€64.72	€25.88	€36.34	€35.19
Exercise terms										
Number of shares acquired	2,001,325	2,628,520	1,068,193	172,947	5,000	1,200	0	1,106	0	0
Cumulative number of cancelled or forfeited options	80,000	80,000	58,500	80,000	248,460	138,460	138,460	55,288	0	0
Options outstanding at Dec. 31, 2010[1]	1,874,182	1,202,152	2,873,941	4,012,816	4,066,120	4,306,454	3,917,673	3,871,120	1,479,460	1,144,730

(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 2010	259,800	€35.19
In 2009	303,250	€36.34

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 2010	96,759	€33.86		82,824	5,751	1,991	6,193	
In 2009	75,464	€34.56	41,579	10,000		2,875	21,010	

10.

During 2010	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 until June 3, 2010	X (*)		X			X		X
Pierre-André de CHALENDAR Chairman and Chief Executive Officer	X (*)	X (**)	X		X		X	

(*) Until June 3, 2010, when he tendered his resignation under his employment contract.
(**) From June 4, 2010.

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, based on the results of specific surveys 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. Target bonuses are set at an amount this is reasonable in relation to the overall compensation package.

The principle of performance-related pay has now been extended to all managerial staff. The performance targets used are based on financial indicators including return on investment (ROI) and free operating 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 performance and 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 €10.4 million in 2010 (2009: €9.3 million), including variable bonuses of €3 million (2009: €2.4 million). No termination benefits were paid in 2010 (or 2009).

GROUP MANAGEMENT

GROUP MANAGEMENT (as of February 1st, 2011)

Senior Management

Pierre-André de CHALENDAR
Chairman and Chief Executive Officer

Benoît BAZIN
Senior Vice-President in charge of the Building Distribution Sector

Jean-Claude BREFFORT
Senior Vice-President in charge of International Development[(1)]

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

Claire PEDINI
Senior Vice-President in charge of Human Resources[(2)]

Jean-François PHÉLIZON
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 (as of February 1st, 2011)

Jean-Claude BREFFORT
General Delegate, Brazil, Argentina and Chile

Gilles COLAS
General Delegate, North America

Thierry FOURNIER
General Delegate, Russia, Ukraine and C.I.S.

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, Greece, Egypt and Turkey

(1) Jean-Claude BREFFORT was in charge of International Development until May 31st, 2010.
(2) Claire PEDINI has been in charge of Human Resources since June 1st, 2010.

SAINT-GOBAIN GROUP COMMITTEES (as of February 1st , 2011)

Executive Committee

Pierre-André de CHALENDAR
Chairman and Chief Executive Officer

Bernard FIELD
Corporate Secretary

Laurent GUILLOT
Chief Financial Officer

Claire PEDINI
Senior Vice-President in charge
of Human Resources

The Executive Committee meets once a week.

Senior Management Committee

Pierre-André de CHALENDAR
Chairman and Chief Executive Officer

Benoît BAZIN
Senior Vice-President in charge
of the Building Distribution Sector

Jean-Claude BREFFORT
Senior Vice-President in charge
of 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

Claire PEDINI
Senior Vice-President in charge
of Human Resources

Jean-François PHÉLIZON
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
Chairman and 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 QUÉRU), Gypsum (Claude-Alain TARDY), Insulation (Benoît CARPENTIER), Industrial Mortars (Jean-Luc GARDAZ), Point.P (Patrice RICHARD), Lapeyre (Patrick BERTRAND), SGBD Deutschland (Udo BRANDT), SGBD Nordics (Kare O. MALO), Packaging, United States (Joseph GREWE)

Vice-President, Information Systems and Group Purchasing (Frédéric VERGER)

Vice-President, Group Marketing (Gérard ASPAR)

The Coordination Committee meets three times a year.

AUDITORS

As of December 31, 2010, 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 3rd, 2010, for a six-year term expiring at the 2016 Annual General Meeting.
- KPMG Audit, Département de KPMG S.A.[1], 1 Cours Valmy, 92923 La Défense, represented by Jean-Paul VELLUTINI and Philippe GRANDCLERC, 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 3rd, 2010 for a six-year term expiring at the 2016 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.

Fees paid by the Group to the Auditors and the members of their network for 2010

(in € millions, excluding tax)	PricewaterhouseCoopers				KPMG			
	Amount		%		Amount		%	
	2010	2009	2010	2009	2010	2009	2010	2009
Audit								
Statutory and contractual audits								
Compagnie de Saint-Gobain	0.6	0.7	5%	6%	0.7	0.7	6%	6%
Fully-consolidated subsidiaries	9.6	9.8	84%	84%	10.0	10.6	87%	89%
TOTAL	**10.2**	**10.5**	**89%**	**90%**	**10.7**	**11.3**	**93%**	**95%**
Other audit-related services								
Compagnie de Saint-Gobain	0.3	0.2	3%	2%	0.1	0.1	1%	1%
Fully-consolidated subsidiaries	0.7	0.9	6%	8%	0.7	0.5	6%	4%
Subtotal	**1.0**	**1.1**	**9%**	**10%**	**0.8**	**0.6**	**7%**	**5%**
TOTAL	**11.2**	**11.6**	**98%**	**100%**	**11.5**	**11.9**	**100%**	**100%**
Other services provided by members of the network to fully-consolidated subsidiaries								
Legal and tax advice	0.2	0.0	2%	0%	0.0	0.0	0%	0%
Other (fees representing over 10% of the audit fees)	0.0	0.0	0%	0%	0.0	0.0	0%	0%
Subtotal	**0.2**	**0.0**	**2%**	**0%**	**0.0**	**0.0**	**0%**	**0%**
TOTAL	**11.4**	**11.6**	**100%**	**100%**	**11.5**	**11.9**	**100%**	**100%**

(1) Members of Compagnie régionale des Commissaires aux comptes de Versailles.

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 741J 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(s) (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 is required to step 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 three business days before the Meeting date, in accordance with legal requirements. Where decided by the Board, shareholders may be called to and vote at a General Meeting by any form of electronic communication. Shareholders may give proxy to another person or entity to represent them at a General Meeting subject to the applicable legal provisions. Corporate shareholders are represented by their legal representative or by any person designated by the legal representative (Annual General Meeting of June 3, 2010).

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

The Company did not enter into any related party agreements in 2010.

REPORT ON 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 have a bearing on 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 have a bearing on a takeover bid for the Company (pages 66 to 88), 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 January 2010 version of the Reference Framework for risk management and internal control systems issued by the French securities regulator (Autorité des Marchés Financiers – AMF) 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 32), which are distributed to all employees;
- clearly defined 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 aimed at ensuring 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 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 and 2010.

The internal control manual is organized around 17 areas covering substantially all transactions carried out at all levels of the Group. It lists the main risks to which the Group is exposed in each of these areas and describes the controls that need to be performed to contain them. A risk/control matrix is also provided in the manual.

The controls described in the manual must be incorporated in each entity's internal procedures.

Internal control and risk management process

Within Saint-Gobain, internal control is a continuous process that integrates risk management procedures and 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 controls and oversight controls and regularly checking the process's effectiveness. This process is described in the internal control reference base and applies to all Group subsidiaries.

Oversight controls and effectiveness checks may lead to corrective action being taken, to ensure that the internal control and risk management systems evolve 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 Senior Vice Presidents of the Group's operating units and the heads of the shared service centers 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 or center 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 or center'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 number of internal control reference base fundamentals.

Since 2009, the Senior Vice-Presidents of the operating units and the heads of the shared service centers 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 and 2010, 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.

Monitoring action plans

In 2010 the Group pursued its drive to continuously improve its internal control system by setting up a specific computer system for managing and monitoring action plans. A database is now used to centralize information about the measures implemented to remedy any non-compliance issues identified during the compliance statement process, and the action plans drawn up following audits performed by the Internal Audit unit. This means that each Group company now has access to a centralized platform that it can use to manage its action plans by reporting the corrective measures taken and the progress made compared with the pre-defined implementation schedule. The Group finance, human resources and IT departments can also use the system to monitor these action plans.

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 and the results of internal audits, as well as by monitoring action plans and incidents. The Department participates in the Group's overall compliance 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 on the internal control reference base;
- conduct the annual compliance statement process;
- analyze incidents, the compliance statements 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 and action plans drawn up by the units to achieve the required level of compliance 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 2010. 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.

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 internal control reviews and information systems reviews.

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 also responsible for developing fraud detection methods and conducting fraud investigations.

In 2010 Saint-Gobain published its fraud prevention policy on the Group's intranet. This document sets out employees' duties and rights. In particular, it stipulates that the Company must treat as strictly confidential any information and documents compiled during an investigation, including the identity of both the person suspected of fraud and any witnesses. It also describes (i) how to report suspected cases of fraud directly to the Fraud Prevention Officer or the Compliance Officer in accordance with the Group's overall compliance program, (ii) the principles applicable when conducting fraud investigations, and (iii) the applicable sanctions.

Lastly, the Fraud Prevention Officer provides in-house training to Group managers in order to raise their awareness of fraud-related issues.

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 systems within Compagnie de Saint-Gobain units.

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 plan 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.

A specific, customized audit has been developed for the Building Distribution Sector to replace the 12-step plan used previously. Known as ESPR for Environment, Safety and Prevention of Risks, the plan includes a section on equipment safety and business interruption risk. The majority of ESPR auditors belong to the Building Distribution Sector.

Between January and end-November 2010, 294 twelve-step audits, 232 twenty-step audits and 185 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.

The Information Systems Security unit – which forms part of the Information Systems 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 70 control points and the 2010 process involved 1,020 units.

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 2010, around 500 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 2004, property and casualty risks at the manufacturing and distribution units, except in Brazil, have been 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 at Group level the cash position is monitored at monthly intervals based on detailed analyses of gross and net debt by currency, maturity and type of interest rate (fixed or variable), 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.

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.

The Group's risk factors are described on pages 99-104. The Treasury and Financing Department has drawn up a set of procedures for managing these risks which is updated on a regular basis and applies to the subsidiaries and General Delegations. The Department also performs compliance controls on financial market transactions carried out by the corporate treasury unit.

In addition, the Company's external auditors carry out the following reviews and audits on the Treasury and Financing Department:

- a half-yearly review and an annual audit covering (i) the type of treasury transactions carried out, (ii) the accounting treatment used for these transactions and (iii) the underlying risks;

- an annual review of the security of information systems used by the Department for conducting its operations.

Management and Financial Control Departments

The Management Control Department is responsible for carrying out controls over the Group's earnings and operating performance. It participates in drawing up the budget and the quarterly budget reviews and oversees the monthly earnings figures of the subsidiaries and Sectors and the Group as a whole. It also plays an active role in operational performance improvement projects and controls their costs and cost effectiveness. 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.

Other standards and procedures

Compagnie de Saint-Gobain has developed numerous internal control and risk management procedures for its own needs and those of its subsidiaries.

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 two different committees: (i) the Doctrine Committee, which is made up of representatives of the Sectors and General Delegations and the Vice-Presidents in charge of the corporate departments and (ii) the Doctrine Brief Validation Committee, which comprises the Senior Vice-President, Internal Audit and Internal Control, the Chief Financial Officer, the Senior Vice-President, Financial Management, and the Sector Finance Directors.

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;
- the Doctrine Department also provides guidance on accounting issues and in 2010 it examined over 400 questions submitted directly by Group companies.

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.

The safety standards deal with work at height, the management of outside contractors working on-site, work permits and commissioning/decommissioning procedures.

Two new safety standards were deployed in 2010 concerning lifting equipment and lift trucks.

Lastly, three new standards were drafted in 2010 and distributed for application in the Divisions and Delegations from January 2011, concerning working in confined spaces, vehicle and pedestrian safety, and warehouses and unloading.

Information systems security

The Information Systems Department compiles rules and best practices concerning information systems and networks, based on four sets of compulsory minimum security rules covering infrastructure, applications, manufacturing systems and research and development systems. Technical standards are also issued and updated to keep pace with technological advances.

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 as required by French law. 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 2010, the Group continued its training programs concerning the reporting system and IFRS, notably as part of the process to set up shared accounting services centers and integrating them into the financial information system.

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 base. 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

On June 3, 2010, Pierre-André de CHALENDAR was appointed as Chairman and Chief Executive Officer, following a Board decision to once again combine these two positions, which had been segregated since June 7, 2007. He has the powers vested in him by law as there are no restrictions on his powers in the bylaws or imposed by the Board.

STATUTORY AUDITORS' REPORT

This is a free translation into English of the Statutory Auditors' report issued in France 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 prepared by 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, 2010.

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 this 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 24, 2011

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG Audit
Department of KPMG S.A.

Rémi DIDIER Jean-Christophe GEORGHIOU Jean-Paul VELLUTINI Philippe GRANDCLERC

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

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.

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 or identifying any undisclosed agreements or commitments. Under the provisions of article R.225-31 of the French Commercial Code *(Code de commerce)*, it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

We are also required, where applicable, to inform shareholders of the provisions of article R.225-31 of the French Commercial Code in relation to the implementation of agreements and commitments in 2010 previously approved by the Annual General Meeting.

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

Agreements and commitments to be submitted for the approval of the Annual General Meeting on June 9, 2011.

We were not informed of any agreement or commitment to be submitted for approval at the Annual General Meeting pursuant to the provisions of article L.225-38 of the French Commercial Code.

Agreements and commitments previously approved by an Annual General Meeting.

1- Agreements and commitments approved during the year

We were informed of the following agreements and commitments authorized during the year and approved by the Annual General Meeting of June 3, 2010, referred to in the Statutory Auditors' special report of March 26, 2010.

Nature	Person(s)/entity(ies) concerned	Implementation in the year ended December 31, 2010
Commitment concerning the payment of compensation and termination benefits, in certain cases, on the termination of the Chairman and Chief Executive Officer's duties.	*Chairman and Chief Executive Officer:* M. Pierre-André de CHALENDAR	Not implemented in 2010.
Non-compete agreement valid in certain cases on the termination of the Chairman and Chief Executive Officer's duties.	*Chairman and Chief Executive Officer:* M. Pierre-André de CHALENDAR	Not implemented in 2010.
Group health and personal risk insurance contract for employees and corporate officers.	*Chairman and Chief Executive Officer:* M. Pierre-André de CHALENDAR	Payment of €1,108 made by the Company to URPIMMEC for Pierre-André de CHALENDAR's insurance coverage.
Agreement relating to the lease for the apartment occupied by Jean-Louis BEFFA.	*Director:* M. Jean-Louis BEFFA	Application of the lease from June 3, 2010.

2 - Agreements and commitments approved in prior years

a) Which were implemented during the year

Pursuant to article R.225-30 of the French Commercial Code, we were informed that the following agreements and commitments approved in prior years by an Annual General Meeting were implemented during the past year.

Nature and date of approval by the Annual General Meeting	Person(s)/entity(ies) concerned	Implementation in the year ended December 31, 2010
Bank bond and counter-guarantee for the payment of the fine imposed by the European Commission concerning the automotive glass industry. Approval by the Annual General Meeting of: June 4, 2009 (Statutory Auditors' special report of March 19, 2009).	*Directors:* MM. Jean-Louis BEFFA and Michel PÉBEREAU	BNP Paribas received a total sum of €3.2 million from the Company in relation to this guarantee.
Defined benefit pension schemes. Approval by the Annual General Meeting of: June 5, 2008 (Statutory Auditors' special report of April 7, 2008).	*Director:* M. Jean-Louis BEFFA	Since the date of the termination of his duties as Chairman of the Board of Directors, Jean-Louis BEFFA, who remains a director, has received a total sum of €265,976 in relation to this agreement.
Proposals made and undertakings given by Wendel, which mainly concerned corporate governance, voting rights and changes in Wendel's interest in the Company's capital. Approval by the Annual General Meeting of: June 5, 2008 (Statutory Auditors' special report of April 7, 2008).	*Shareholder:* Wendel	No impact on the Company's financial statements.

b) Which were not implemented during the year

Furthermore, we were informed that the following agreements and commitments, already approved by an Annual General Meeting in prior years, remained in force but were not implemented during the past year.

Nature and date of authorization by the Annual General Meeting	Person(s)/entity(ies) concerned
Defined benefit pension schemes Approval by the Annual General Meeting of: June 5, 2008 (Statutory Auditors' special report of April 7, 2008).	*Chairman and Chief Executive Officer:* M. Pierre-André de CHALENDAR

Neuilly-sur-Seine and Paris La Défense, March 14, 2011

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG Audit
Department of KPMG S.A.

Rémi DIDIER   Jean-Christophe GEORGHIOU   Jean-Paul VELLUTINI   Philippe GRANDCLERC

RISKS FACTORS

Macroeconomic and industry risks

Most of the Group's markets are cyclical in nature. A significant portion of revenues depends on the level of investment in the construction market, which generally closely follows economic trends. Consequently, the Group's earnings are highly sensitive to national, regional and local economic conditions.

In 2010, the global economy started to recover from the crisis but while its health took a positive turn, the vulnerabilities that had caused it to lapse into recession were still not resolved.

A 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, results 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 2010, nearly 20% 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 customer 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 under programs that have been stepped up over the years. Thanks to these programs, aggregate savings of €2,100 million were achieved between 2007 and 2010. While further savings are planned, there is no guarantee that they 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, interest rate, foreign exchange, energy, raw materials and credit risks)

Liquidity risk on financing

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 primarily composed 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.

Compagnie de Saint-Gobain's liquidity position is secured by various 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 for the Group's financing programs and confirmed credit lines are also provided 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 year-end would have led to a €13 million increase in equity and a €0.1 million increase in net 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 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 national 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, 2010, 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, 2010:

(in millions of euro equivalents)	Long	Short
EUR	1	10
USD	10	9
Other currencies	1	2
Total	**12**	**21**

Based on a sensitivity analysis at December 31, 2010, 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	(0.8)
USD	0.1

A 10% fall in exchange rates would have a positive impact in the same amounts, assuming that all other variables were unchanged.

Energy and raw materials risk

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

The Group limits its exposure to energy price fluctuations by using swaps and options to hedge part of its fuel oil, natural gas and electricity purchases. The swaps and options are mainly contracted in the functional currency of the entities concerned. Hedges of 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 energy purchases (excluding fixed-price purchases negotiated directly with suppliers by the Purchasing Department) are arranged by the Group Treasury and Financing Department (or with the national delegations' treasury departments) in accordance with instructions received from SGA.

The steering committee does not manage hedges 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.

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 risk are closely monitored to ensure that they remain at reasonable levels. However, credit risks arising from transactions with financial counterparties can escalate rapidly and 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, changes in the economic situation could lead to an increase in customer credit risk.

Consumer credit risk

The Group's exposure to consumer credit risk is also 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 where necessary. As with customer credit risk, changes in the economic situation could lead 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 €6.2 billion at December 31, 2010) 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, 2010, the total projected benefit obligation was €8.9 billion, representing a €0.9 billion increase on the year-earlier figure. However, the impact of this rise was almost fully offset by an increase of around €0.8 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 €11.0 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 (€13.7 billion) represent roughly one third 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. Six of the Group's plants are considered as representing "major technological risks" under European regulations, and are subject to specific legislation and close supervision by the relevant authorities.

In 2010, six Saint-Gobain plants in Europe were considered as 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); and Carrascal del Rio (Flat Glass) in Spain, which stores hydrofluoric acid (HF), amongst other substances.

In application of France's Act of July 30, 2003 concerning the prevention of technological and natural risks and the remediation of contaminated sites, specific risk prevention and safety policies have been implemented at all of the French sites listed above, 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.

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'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 2010 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 722 such lawsuits have been issued against the two companies since 1997.

At December 31, 2010, 642 of these 722 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 80 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2010, the merits of 17 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 except two, the Social Security authorities were ordered to pay compensation for the victims for procedural reasons (non-opposability). A further 33 of these 80 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 30 remaining lawsuits, at December 31, 2010 the procedures relating to the merits of 28 cases were at different stages, with 8 being investigated by the French Social Security authorities and 20 pending before the Social Security courts. The final two suits have been withdrawn by the plaintiffs who can ask for them to be re-activated at any time within a two-year period.

In addition, as of December 31, 2010, 140 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, 93 lawsuits had been completed. In 29 of these cases, the employer was held liable for inexcusable fault.

For the 47 suits outstanding at December 31, 2010, arguments were being prepared by the French Social Security authorities in six cases, 34 were being investigated – including 26 pending before the Social Security courts, 6 before the Courts of Appeal and 2 before the Court of Cassation– and 7 had been completed in terms of liability but not in terms of quantum, of which 6 pending before the Courts of Appeal and 1 before the Social Security court.

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, claiming ordinary and, in some cases, punitive damages. 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 2010

About 5,000 new claims were filed against CertainTeed in 2010, compared to about 4,000 in 2009, 5,000 in 2008, 6,000 in 2007 and 7,000 in 2006. Over the last five years, the number of new claims has remained fairly stable.

Almost all of the claims against CertainTeed are settled out of court. Approximately 13,000 of the pending claims were resolved in 2010, compared to about 8,000 in 2009, 2008 and 2007, and around 12,000 in 2006. Taking into account the 64,000 outstanding claims at the end of 2009 and the new claims having arisen during the year, as well as claims settled, some 56,000 claims were outstanding at December 31, 2010. 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 €97 million charge in 2010 to cover future developments in relation to claims involving CertainTeed. This amount is higher than the amounts recorded in 2009 and 2008 (€75 million), in 2007 (€90 million) and 2006 (€95 million). At December 31, 2010, the Group reserve for asbestos-related claims against CertainTeed in the United States amounted to €375 million, (USD 501 million), compared with €347 million (USD 500 million) at December 31, 2009, €361 million (USD 502 million) at December 31, 2008, €321 million (USD 473 million) at December 31, 2007 and €342 million (USD 451 million) at December 31, 2006.

Cash flow impact

Compensation paid in respect of these claims against CertainTeed, including claims settled prior to 2010 but only paid out in 2010, and those fully resolved and paid in 2010, and compensation paid (net of insurance) in 2010 by other Group businesses in connection with asbestos-related litigation, amounted to €78 million (USD 103 million), compared to €55 million (USD 77 million) in 2009, €48 million (USD 71 million) in 2008, €53 million (USD 73 million) in 2007 and €67 million (USD 84 million) in 2006. The increase of the total amount of the compensation paid in 2010 compared to the amount paid in 2009 is mainly due to the higher number of malignant claims among the resolved claims. It also reflects compensation payments made in early 2010 that were originally expected to be made at the end of 2009.

In Brazil, former Group employees suffering from asbestos-related occupational illness are offered either exclusively financial compensation or lifetime medical assistance combined with financial compensation. Only a small number of asbestos-related lawsuits brought by former employees (or persons claiming through them) were outstanding at December 31, 2010, and they do not currently represent a material risk for the companies concerned.

Ruling by the European Commission following the investigation into the automotive glass industry

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 General Court of the European Union.

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

The provision set aside to cover the fine, the late interest, the cost of the above bond and the related legal costs amounted to €1,029 million at December 31, 2010.

The appeal against the November 12, 2008 decision is currently pending before the General Court of the European Union in Luxembourg.

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 therefore 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 action taken.

The 2009 policies were renewed in 2010 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, storms and earthquakes 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 independent 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 the lower tranches of 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 and has a coverage limit of €50 million. The program's exclusions are consistent with market practice and concern in particular potentially carcinogenic substances and gradual pollution.

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.

The second program covers subsidiaries located in the geographic area covered by the United States & Canada Delegation and has a coverage limit of USD 50 million. This 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 the London insurance market. Exclusions are in line with current market practice in the United States and primarily concern contractual liability, pollution and third party consequential loss.

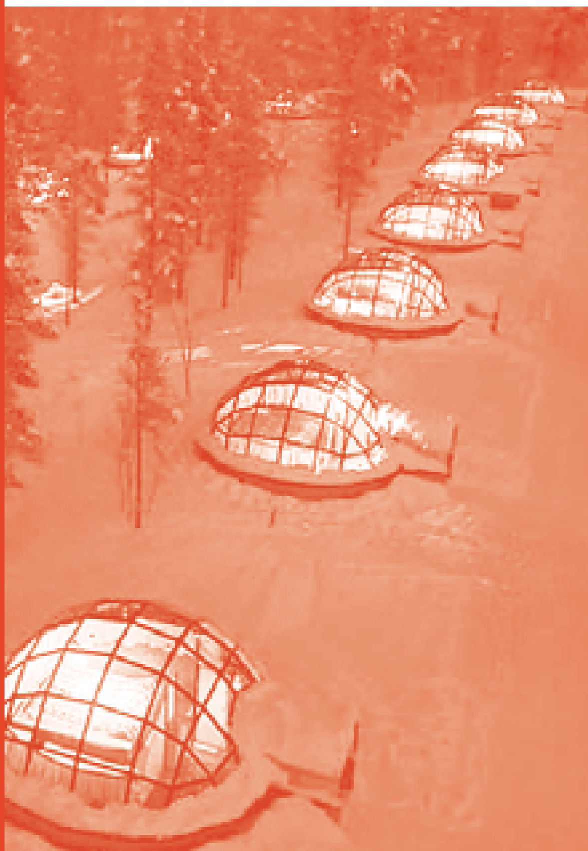
In addition to the two above-described programs, a number of supplementary programs have been set up in order to bring the total coverage limit to a level considered compatible with the Group's businesses.

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	2010	2009
Goodwill	(3)	11,030	10,740
Other intangible assets	(4)	3,067	2,998
Property, plant and equipment	(5)	13,727	13,300
Investments in associates	(6)	137	123
Deferred tax assets	(15)	700	676
Other non-current assets	(7)	272	312
Non-current assets		**28,933**	**28,149**
Inventories	(8)	5,841	5,256
Trade accounts receivable	(9)	5,038	4,926
Current tax receivable		175	333
Other receivables	(9)	1,248	1,202
Cash and cash equivalents	(19)	2,762	3,157
Current assets		**15,064**	**14,874**
TOTAL ASSETS		**43,997**	**43,023**

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

EQUITY AND LIABILITIES *(in EUR millions)*	Notes	2010	2009
Capital stock	(10)	2,123	2,052
Additional paid-in capital and legal reserve		5,781	5,341
Retained earnings and net income for the year		10,614	10,137
Cumulative translation adjustments		(383)	(1,340)
Fair value reserves		(43)	(75)
Treasury stock	(10)	(224)	(203)
Shareholders' equity		17,868	15,912
Minority interests		364	302
Total equity		18,232	16,214
Long-term debt	(19)	7,822	8,839
Provisions for pensions and other employee benefits	(14)	2,930	2,958
Deferred tax liabilities	(15)	909	921
Other non-current liabilities and provisions	(16)	2,228	2,169
Non-current liabilities		13,889	14,887
Current portion of long-term debt	(19)	1,094	1,880
Current portion of other liabilities	(16)	527	518
Trade accounts payable	(17)	5,690	5,338
Current tax liabilities		156	108
Other payables and accrued expenses	(17)	3,395	3,086
Short-term debt and bank overdrafts	(19)	1,014	992
Current liabilities		11,876	11,922
TOTAL EQUITY AND LIABILITIES		**43,997**	**43,023**

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

CONSOLIDATED INCOME STATEMENT

(in EUR millions)	Notes	2010	2009
Net sales	(32)	40,119	37,786
Cost of sales	(22)	(30,059)	(28,804)
Selling, general and administrative expenses including research	(22)	(6,943)	(6,766)
Operating income		**3,117**	**2,216**
Other business income	(22)	87	36
Other business expense	(22)	(680)	(1,012)
Business income		**2,524**	**1,240**
Borrowing costs, gross		(558)	(666)
Income from cash and cash equivalents		39	46
Borrowing costs, net		**(519)**	**(620)**
Other financial income and expense	(23)	(220)	(185)
Net financial expense		**(739)**	**(805)**
Share in net income of associates	(6)	5	2
Income taxes	(15)	(577)	(196)
Net income		**1,213**	**241**
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**1,129**	**202**
Minority interests		84	39

Earnings per share *(in EUR)*			
Weighted average number of shares in issue		517,954,691	473,244,410
Basic earnings per share	(25)	2.18	0.43
Weighted average number of shares assuming full dilution		519,887,155	473,543,327
Diluted earnings per share	(25)	2.17	0.43

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(in EUR millions)	Shareholders' equity – Before tax effect	Shareholders' equity – Tax effect	Minority interests	Total equity
2009				
Net income	379	(177)	39	241
Translation adjustments	400		24	424
Changes in fair values	86	(26)	0	60
Changes in actuarial gains and losses	(724)	217	0	(507)
Other	0		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
2010				
Net income	1,667	(538)	84	1,213
Translation adjustments	956		33	989
Changes in fair values	32	(12)		20
Changes in actuarial gains and losses	(142)	40		(102)
Other	(66)		(3)	(69)(*)
Income and expense recognized directly in equity	780	28	30	838
Total recognized income and expense for the year	2,447	(510)	114	2,051

(*) "Other" mainly includes the impact of applying the changes introduced by IFRS 3R.

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

CONSOLIDATED CASH FLOW STATEMENT

(in EUR millions)	Notes	2010	2009
Net income attributable to equity holders of the parent		1,129	202
Minority interests in net income	(*)	84	39
Share in net income of associates, net of dividends received	(6)	(5)	2
Depreciation, amortization and impairment of assets	(22)	1,755	1,857
Gains and losses on disposals of assets	(22)	(87)	32
Unrealized gains and losses arising from changes in fair value and share-based payments		53	100
Changes in inventories	(8)	(404)	989
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(9) (17)	299	509
Changes in tax receivable and payable	(15)	179	(216)
Changes in deferred taxes and provisions for other liabilities and charges	(14) (15) (16)	(230)	(124)
Net cash from operating activities		2,773	3,390
Purchases of property, plant and equipment [2010: (1,450), 2009: (1,249)] and intangible assets	(4) (5)	(1,520)	(1,319)
Increase (decrease) in amounts due to suppliers of fixed assets	(17)	48	(105)
Acquisitions of shares in consolidated companies [2010: (124), 2009: (200)], net of cash acquired	(2)	(83)	(180)
Acquisitions of other investments	(7)	(5)	(4)
Increase in investment-related liabilities	(16)	17	29
Decrease in investment-related liabilities	(16)	(16)	(59)
Investments		**(1,559)**	**(1,638)**
Disposals of property, plant and equipment and intangible assets	(4) (5)	99	71
Disposals of shares in consolidated companies, net of cash divested	(2)	176	6
Disposals of other investments and other divestments	(7)	3	6
Divestments		**278**	**83**
Increase in loans and deposits	(7)	(77)	(39)
Decrease in loans and deposits	(7)	63	47
Net cash from (used in) investing activities		(1,295)	(1,547)
Issues of capital stock	(*)	511	1,923
Minority interests' share in capital increases of subsidiaries	(*)	2	6
(Increase) decrease in treasury stock	(*)	(24)	6
Dividends paid	(*)	(509)	(486)
Dividends paid to minority shareholders of consolidated subsidiaries and increase (decrease) in dividends payable		(64)	(27)
Increase (decrease) in bank overdrafts and other short-term debt		12	(985)
Increase in long-term debt	(**)	208	2,281
Decrease in long-term debt	(**)	(2,082)	(3,389)
Net cash from (used in) financing activities		(1,946)	(671)
Increase (decrease) in cash and cash equivalents		(468)	1,172
Net effect of exchange rate changes on cash and cash equivalents		73	48
Cash and cash equivalents at beginning of year		3,157	1,937
Cash and cash equivalents at end of year		2,762	3,157

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

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

Income tax paid amounted to €362 million in 2010 (2009: €655 million). Interest paid net of interest received amounted to €586 million in 2010 (2009: €592 million).

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Number of shares) Issued	Outstanding (excluding treasury stock)	*(in EUR millions)* Capital stock	Additional paid-in capital and legal reserve	Retained earnings and net income for the year	Cumulative translation adjustments	Fair value reserves	Treasury stock	Shareholders' equity	Minority interests	Total equity
At January 1, 2009	**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							0	6	6
Dividends paid (EUR 1.00 per share)					(486)				(486)	(26)	(512)
Treasury stock purchased	0	(2,238,941)						(72)	(72)		(72)
Treasury stock sold	0	2,326,591			3			75	78		78
Share-based payments	0	0			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**
Income and expenses recognized directly in equity			0	0	(180)	956	32	0	808	30	838
Net income for the year					1,129				1,129	84	1,213
Total recognized income and expense for the year			**0**	**0**	**949**	**956**	**32**	**0**	**1,937**	**114**	**2,051**
Issues of capital stock											
Stock dividend	12,861,368	12,861,368	51	315					366		366
Group Savings Plan	4,993,989	4,993,989	20	123					143		143
Stock option plans	50,068	50,068		2					2		2
Other	0	0							0	2	2
Dividends paid (EUR 1.00 per share)					(509)				(509)	(54)	(563)
Treasury stock purchased		(6,114,150)				1		(212)	(211)		(211)
Treasury stock sold		5,457,752			(4)			191	187		187
Share-based payments					41				41		41
AT DECEMBER 31, 2010	**530,836,441**	**525,722,544**	**2,123**	**5,781**	**10,614**	**(383)**	**(43)**	**(224)**	**17,868**	**364**	**18,232**

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, 2010, corresponding to the IFRS issued by the International Accounting Standards Board (IASB).

The accounting policies applied are consistent with those used to prepare the financial statements for the year ended December 31, 2009, except for the application of the new standards and interpretations described below.
The consolidated financial statements have been prepared using the historical cost convention, except for certain assets and liabilities that have been measured using the fair value model as explained in these notes.

The standards, interpretations and amendments to published standards applicable for the first time in 2010 (see the table below) do not have a material impact on the Group's consolidated financial statements. In particular, the revised version of IFRS 3 (IFRS 3R) and the amendments to IAS 27 (IAS 27A) concerning business combinations, which have been applied prospectively, do not have a material impact on the 2010 consolidated financial statements.

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, 2011 (see table below).

These consolidated financial statements were adopted by the Board of Directors on February 24, 2011 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 prevailing economic environment. 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 (Note 13) and financial instruments (Note 11).

Summary of new standards, interpretations and amendments to published standards

Standards, interpretations and amendments to existing standards applicable in 2010

IFRS 3R and IAS 27A	Business Combinations and Consolidated and Separate Financial Statements
Amendments to IAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRS 1 R	First-Time Adoption of International Financial Reporting Standards (Restructured IFRS 1)
Amendments to IFRS 2	Group Cash-settled Share-based Payment Arrangements
IFRIC 12	Service Concession Arrangements
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-Cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
	Annual improvements to IFRS

Standards, interpretations and amendments to existing standards early adopted in 2010

Amendments to IAS 32	Classification of Rights Issues
IAS 24 R	Related Party Disclosures
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
Amendments to IFRS 1	Additional Exemptions for First-time Adopters
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
	Annual improvements to IFRS

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 2010 are presented in Note 2 and a list of the principal consolidated companies at December 31, 2010 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 maintained 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 Group has applied IFRS 3R and IAS 27A on a prospective basis starting from January 1, 2010. As a result, business combinations completed prior to that date are recognized in accordance with the previous versions of IFRS 3 and IAS 27.

Goodwill

When an entity is acquired by the Group, the identifiable assets and liabilities of the entity are recognized at their fair value. Any adjustments to provisional values as a result of completing the initial accounting are recognized within twelve months and retrospectively at the acquisition date.

The final acquisition price (referred to as "consideration transferred" in IFRS 3R), including the estimated fair value of any earn-out payments or other deferred consideration (referred to as "contingent consideration"), is determined in the twelve months following the acquisition. Under IFRS 3R, any adjustments to the acquisition price beyond this twelve-month period are recorded in the income statement. As from January 1, 2010, all costs directly attributable to the business combination, i.e. costs that the acquirer incurs to effect a business combination such as professional fees paid to investment banks, attorneys, auditors, independent valuers and other consultants, are no longer capitalized as part of the cost of the business combination, but are recognized as expenses as incurred.

In addition, starting from 1 January 2010, goodwill is recognized only at the date that control is achieved (or joint control is achieved in the case of proportionately consolidated companies or significant influence is obtained in the case of entities accounted for by the equity method). Any subsequent increase in ownership interest is recorded as a change in equity attributable to the equity holders of the parent without adjusting goodwill. In the case of a business combination achieved in stages, the transaction is affected globally at the date control is reached.

Goodwill is recorded in the consolidated balance sheet as the difference between the acquisition-date fair value of (i) the consideration transferred plus the amount of any minority interests and (ii) the identifiable net assets of the acquiree. Minority interests are measured either as their proportionate interest in the net identifiable assets or at their fair value at the acquisition date. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the assets and liabilities of the acquired entity. If the cost of the acquisition is less than the fair value of the net assets and liabilities acquired, the difference is recognized directly in the income statement.

Step acquisitions and partial disposals

When the Group acquires control of an entity in which it already held an equity interest, the transaction is treated as a step acquisition (an acquisition in stages), as follows: (i) as a disposal of the previously-held interest, with recognition of any gain or loss in the consolidated financial statements, and (ii) as an acquisition of the entire interest, with recognition of the corresponding goodwill (on both the old and new acquisitions).

When the Group disposes of part of an equity interest, leading to the loss of control (with a minority interest retained), the transaction is also treated as both a disposal and an acquisition, as follows: (i) as a disposal of the entire interest, with recognition of any gain or loss in the consolidated financial statements, and (ii) as an acquisition of the retained non-controlling (minority) interest, measured at fair value.

Potential voting rights and share purchase commitments

Potential voting rights conferred by call options on minority interests (non-controlling interests) are taken into account in determining whether the Group exclusively controls an entity only when the options are currently exercisable.

When calculating its percentage of interest in controlled companies, the Group considers the impact of cross put and call options on minority interests in the companies concerned. This approach gives rise to the recognition in the financial statements of an investment-related liability (included within "Other liabilities") corresponding to the present value of the estimated exercise price of the put option, with a corresponding reduction in minority interests and equity attributable to equity holders of the parent. Any subsequent changes in the fair value of the liability are recognized by adjusting equity.

Minority interests

Up to December 31, 2009, transactions with minority interests were treated in the same way as transactions with parties external to the Group. As from January 1, 2010, changes in minority interests (referred to as "non-controlling interests" in IFRS 3R) are accounted for as equity transactions between two categories of owners of a single economic entity in accordance with IAS 27A. As a result, they are recorded in the statement of changes in equity and have no impact on the income statement or balance sheet, except for changes in cash and cash equivalents.

Non-current assets and liabilities held for sale – Discontinued operations

Assets and liabilities that are immediately available for sale and for which a sale is highly probable are classified as non-current assets and liabilities held for sale. When several assets are held for sale in a single transaction, they are accounted for as a disposal group, which also includes any liabilities directly associated with those assets.

The assets or disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell. Depreciation ceases when non-current assets or disposal groups are classified as held for sale. When the assets held for sale are consolidated companies, deferred tax is recognized on the difference between the consolidated carrying amount of the shares and their tax basis, in accordance with IAS 12.

Non-current assets and liabilities held for sale are presented separately on the face of the consolidated balance sheet, and income and expenses continue to be recognized in the consolidated income statement on a line-by-line basis. Income and expenses arising on discontinued operations are recorded as a single amount on the face of the consolidated income statement.

At each balance sheet date, the value of the assets and liabilities is reviewed to determine whether any provision adjustments should be recorded due to a change in their fair value less costs to sell.

Intragroup transactions

All intragroup balances and transactions are eliminated in consolidation.

Translation of the financial statements of foreign companies

The consolidated financial statements are presented in euros, which is Compagnie de Saint-Gobain's functional and presentation currency.

Assets and liabilities of subsidiaries outside the euro zone are translated into euros at the closing exchange rate and income and expense items are translated using the average exchange rate for the period, except in the case of significant exchange rate volatility.

The Group's share of any translation gains or losses is included in equity under "Cumulative translation adjustments" until the foreign operations to which they relate are sold or liquidated, at which time they are taken to the income statement if the transaction results in a loss of control or recognized directly in the statement of changes in equity if the change in ownership interest does not result in a loss of control.

Foreign currency transactions

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the transaction date. Assets and liabilities denominated in foreign currencies are translated at the closing rate and any exchange differences are recorded in the income statement. As an exception to this principle, exchange differences relating to loans and borrowings between Group companies are recorded, net of tax, in equity under "Cumulative translation adjustments", as in substance they are an integral part of the net investment in a foreign subsidiary.

Balance sheet items

Goodwill

See the section above on business combinations.

Other intangible assets

Other intangible assets primarily include patents, brands, software and development costs. They are measured at historical cost less accumulated amortization and impairment.

Acquired retail brands and certain manufacturing brands are treated as intangible assets with indefinite useful lives as they have a strong national and/or international reputation. These brands are not amortized but are tested for impairment on an annual basis. Other brands are amortized over their useful lives, not to exceed 40 years.

Costs incurred to develop software in-house – primarily configuration, programming and testing costs – are recognized as intangible assets. Patents and purchased computer software are amortized over their estimated useful lives, not exceeding 20 years for patents and 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.

Concerning greenhouse gas emissions allowances, a provision is recorded in the consolidated financial statements to cover any difference between the Group's emissions and the allowances granted.

Property, plant and equipment

Land, buildings and equipment are carried at historical cost less accumulated depreciation and impairment.

Cost may also include incidental expenses directly attributable to the acquisition, such as transfers from equity of any gains/losses on qualifying cash flow hedges of property, plant and equipment purchases.

Expenses incurred in exploring and evaluating mineral resources are included in property, plant and equipment when it is probable that associated future economic benefits will flow to the Group. They include mainly the costs of topographical or geological studies, drilling costs, sampling costs and all costs incurred in assessing the technical feasibility and commercial viability of extracting the mineral resource.

Material borrowing costs incurred for the construction and acquisition of property, plant and equipment are included in the cost of the related asset.

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

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

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

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

Provisions for site restoration are recognized as components of assets 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). 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 37 CGUs had been identified at 31 December 2010.

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 2010 and 2009) plus a country risk premium where appropriate depending on the geographic area concerned. The discount rates applied in 2010 and 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.

Based on projections at December 31, 2010, a 0.5-point decrease in projected average annual growth in cash flows to perpetuity for all the CGUs, excluding Building Distribution in the United States and the Netherlands (for which impairment losses were recognized in 2010), would not lead to any impairment of intangible assets. Similarly, a 0.5-point increase in the discount rate applied to the same CGUs would not lead to any impairment of intangibles.

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

Inventories

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

Operating receivables and payables

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

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, with the exception of derivatives that are held as hedges of debt. Premiums and issuance costs are amortized using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents mainly consist of cash on hand, bank accounts and marketable securities that are short-term, 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 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

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

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

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

Group Savings Plan ("PEG")

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.

Leveraged plan costs are calculated under IFRS 2 in the same way as for non-leveraged plans, but also take into account the advantage accruing to employees who have access to share prices with a volatility profile adapted to institutional investors.

The cost of the two plans was recognized in full at the end of the subscription period.

Performance share grants

The Group set up a worldwide share grant plan in 2009 whereby each Group employee was awarded seven shares, and performance share plans in 2009 and 2010 for certain categories of employees. These plans are subject to eligibility criteria based on the grantee's period of service with the Group. The plan costs calculated under IFRS 2 take into account the eligibility criteria, the performance criteria – which are described in Note 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.

Provisions for other material liabilities and charges whose timing can be estimated reliably are discounted to present value.

Investment-related liabilities

Investment-related liabilities correspond to put options granted to minority shareholders of subsidiaries and liabilities relating to the acquisition of shares in Group companies, including additional purchase consideration. They are reviewed on a periodic basis and any subsequent changes in the fair value of minority shareholder puts are recognized by adjusting equity.

Income statement items

Revenue recognition

Revenue generated by the sale of goods or services is recognized net of rebates, discounts and sales taxes (i) when the risks and rewards of ownership have been transferred to the customer, or (ii) when the service has been rendered, or (iii) by reference to the stage of completion of the services to be provided.

Construction contracts are accounted for using the percentage of completion method, as explained below. When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the balance sheet date. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recovered. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Construction contract revenues are not material in relation to total consolidated net sales.

Operating income

Operating income is a measure of the performance of the Group's business sectors and has been used by the Group as its key external and internal management indicator for many years. Foreign exchange gains and losses are included in operating income, as are changes in the fair value of financial instruments that do not qualify for hedge accounting when they relate to operating items.

Other business income and expense

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

Business income

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

Net financial expense

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

Income taxes

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

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

Deferred tax assets are recognized only if it is considered probable that there will be sufficient future taxable income against which the temporary difference can be utilized. They are reviewed at each balance sheet date and written down to the extent that it is no longer probable that there will be sufficient taxable income against which the temporary difference can be utilized.

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 weighted average number of shares in issue during the period, excluding treasury stock.

Diluted earnings per share are calculated by adjusting earnings per share (see Note 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.

Performance indicators

EBITDA

EBITDA corresponds to operating income before depreciation and amortization.

The method used for calculating EBITDA 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.

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 and losses and non-recurring provisions 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.

The Group has chosen to present segment information by sector and division, without any further aggregation compared with the internal presentation. There were no changes in the presentation of segment information in 2010 compared with prior years.

NOTE 2 Changes in group structure

Changes in the number of consolidated companies

	France	Outside France	Total
Fully consolidated companies			
At January 1, 2010	190	987	1,177
Newly consolidated companies	2	16	18
Merged companies	(12)	(121)	(133)
Deconsolidated companies	(1)	(7)	(8)
Change in consolidation method		3	3
At December 31, 2010	**179**	**878**	**1,057**
Proportionately consolidated companies			
At January 1, 2010	2	21	23
Newly consolidated companies		4	4
Deconsolidated companies			0
Change in consolidation method		(2)	(2)
At December 31, 2010	**2**	**23**	**25**
Companies accounted for by the equity method			
At January 1, 2010	7	57	64
Newly consolidated companies		1	1
Merged companies		(6)	(6)
Deconsolidated companies		(2)	(2)
Change in consolidation method		(1)	(1)
At December 31, 2010	7	49	56
TOTAL AT DECEMBER 31, 2010	**188**	**950**	**1,138**

Significant changes in Group structure

2010

During the 1st semester 2010, the Group acquired a 43.7% interest in Japanese insulation company MAG from Japan-based Taiheiyo Cement Corporation. Previously consolidated on a proportionate basis, MAG has been fully consolidated since April 1, 2010. This transaction was treated as a step acquisition under the provisions of IFRS 3R, the application of which had no material impact on the consolidated balance sheet or income statement. A further 10% stake was acquired in the second half of the year, raising the Group's interest in the company to 97.4%.

In December, the Group acquired a 50% interest in Sage Electrochromics which has been consolidated by the proportionate method as from December 1. Provisional goodwill has been recognized in the balance sheet pending final allocation of the acquisition price in 2011.

Also in 2010, an agreement was signed for the sale of the advanced ceramics business to US-based CoorsTek, subject to approval of the transaction by the relevant authorities. The business was classified in assets and liabilities held for sale from June 28, 2010, the date when the sale process was announced. The disposal was completed on December 31, 2010 for an amount of approximately USD 245 million, following anti-trust approval.

Lastly, during the year the Group began preparing an initial public offering (IPO) of a minority interest in the Packaging Sector (Verallia).

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 the business, leading to the recognition of brands in the consolidated balance sheet for an amount of €84 million or €62 million after deferred taxes.

Impact on the consolidated balance sheet

The impact on the balance sheet at December 31, 2010 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	113	(175)	(62)
Inventories	16	(29)	(13)
Trade accounts receivable	21	(24)	(3)
Other current assets excluding cash and cash equivalents	5	(3)	2
	155	(231)	(76)
Impact on equity and liabilities			
Shareholders' equity and minority interests	(6)		(6)
Provisions for pensions and other employee benefits	8	(5)	3
Non-current liabilities	(3)	(2)	(5)
Trade accounts payable	18	(10)	8
Other payables and accrued expenses	6	(17)	(11)
	23	(34)	(11)
Enterprise value of consolidated companies acquired/divested (a)	132	(197)	(65)
Impact on consolidated net debt*			
Impact on cash and cash equivalents	41	(7)	34
Impact on net debt excluding cash and cash equivalents (b)	49	(21)	28
	8	(14)	(6)
Acquisitions/disposals of shares in consolidated companies net of cash acquired/divested (a)-(b)	83	(176)	(93)

* Corresponding to the debt, short-term credit facilities and cash and cash equivalents of acquired/divested companies.

NOTE 3 Goodwill

(in EUR millions)	2010	2009
At January 1		
Gross value	11,178	10,924
Accumulated impairment	(438)	(253)
Net	10,740	10,671
Movements during the year		
Changes in Group structure	(19)	113
Impairment	(87)	(210)
Translation adjustments	396	166
Total	290	69
At December 31		
Gross value	11,560	11,178
Accumulated impairment	(530)	(438)
Net	11,030	10,740

In 2010, movements in goodwill mainly corresponded to the €396 million increase in translation adjustments, primarily concerning the US dollar and the pound sterling. Impairments for the period primarily concerned the Building Distribution Sector.

Movements in goodwill during 2009 included €210 million in impairments, related mainly to Gypsum Division goodwill in North America.

NOTE 4 Other intangible assets

(in EUR millions)	Patents	Non-amortizable brands	Software	Develop-ment costs	Other	Total
At January 1, 2009						
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**
Movements during the year						
Changes in Group structure	5		6	(4)	9	16
Acquisitions			49	4	17	70
Disposals			(2)		(2)	(4)
Translation adjustments	1	73	7		8	89
Amortization and impairment	(2)		(80)	(9)	(11)	(102)
Total movements	**4**	**73**	**(20)**	**(9)**	**21**	**69**
At December 31, 2010						
Gross value	124	2,747	798	60	301	4,030
Accumulated amortization and impairment	(104)		(642)	(42)	(175)	(963)
Net	**20**	**2,747**	**156**	**18**	**126**	**3,067**

The "Other" column includes amortizable manufacturing brands totaling €47 million at December 31, 2010 (December 31, 2009: €43 million).

NOTE 5 Property, plant and equipment

(in EUR millions)	Land and quarries	Buildings	Machinery and equipment	Assets under construction	Total
At January 1, 2009					
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**
Movements during the year					
Changes in Group structure and reclassifications	93	(12)	(20)	2	63
Acquisitions	52	82	299	1,020	1,453
Disposals	(23)	(41)	(38)	(6)	(108)
Translation adjustments	76	155	301	53	585
Depreciation and impairment	(33)	(300)	(1,196)	(37)	(1,566)
Transfers	0	221	836	(1,057)	0
Total movements	**165**	**105**	**182**	**(25)**	**427**
At December 31, 2010					
Gross value	2,397	8,338	21,047	1,042	32,824
Accumulated depreciation and impairment	(394)	(4,333)	(14,327)	(43)	(19,097)
Net	**2,003**	**4,005**	**6,720**	**999**	**13,727**

Acquisitions of property, plant and equipment during 2010 included assets acquired under finance leases for an amount of €3 million (2009: €16 million). These finance leases are not included in the cash flow statement, in accordance with IAS 7. At December 31, 2010, total property, plant and equipment acquired under finance leases amounted to €130 million (December 31, 2009: €168 million) (see Note 26).

NOTE 6 Investments in associates

(in EUR millions)	2010	2009
At January 1		
Equity in associates	105	98
Goodwill	18	18
Investments in associates	**123**	**116**
Movements during the year		
Changes in Group structure	0	(4)
Translation adjustments	9	8
Transfers, share issues and other movements	3	5
Dividends paid	(3)	(4)
Share in net income of associates	5	2
Total movements	**14**	**7**
At December 31		
Equity in associates	120	105
Goodwill	17	18
Investments in associates	**137**	**123**

Investments in associates include shares in Compania Industrial El Volcan, which is listed on the Santiago de Chile stock exchange. At December 31, 2010, 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 €799 million in 2010 (2009: €689 million) and their aggregate net income totaled €17 million (2009: €11 million). At December 31, 2010, total assets and liabilities of these companies amounted to €873 million and €467 million, respectively (December 31, 2009: €788 million and €450 million).

NOTE 7 Other non-current assets

(in EUR millions)	Available-for-sale and other securities	Capitalized loans and deposits	Plan surpluses	Total
At January 1, 2009				
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**
Movements during the year				
Changes in Group structure	(3)			(3)
Increases/(decreases)	(4)	15	(60)	(49)
Movements in provisions for impairment in value	(1)	(3)		(4)
Translation adjustments	5	8	1	14
Transfers and other movements		2		2
Total movements	**(3)**	**22**	**(59)**	**(40)**
At December 31, 2010				
Gross value	43	218	37	298
Provisions for impairment in value	(18)	(8)		(26)
Net	**25**	**210**	**37**	**272**

The change in impairment provisions on other non-current assets in 2010 reflects €6 million in additions (2009: €48 million) and €2 million in reversals (2009: €4 million). Additions to provisions in 2009 concerned stocks and bonds held by the Group.

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

NOTE 8 Inventories

(in EUR millions)	Dec. 31, 2010	Dec. 31, 2009
Gross value		
Raw materials	1,489	1,299
Work in progress	253	219
Finished goods	4,550	4,194
Gross inventories	**6,292**	**5,712**
Provisions for impairment in value		
Raw materials	(125)	(120)
Work in progress	(6)	(8)
Finished goods	(320)	(328)
Provisions for impairment in value	**(451)**	**(456)**
Net	**5,841**	**5,256**

In 2010, cost of sales came to €30,059 million (2009: €28,804 million).

Impairment losses on inventories recorded in the 2010 income statement totaled €105 million (2009: €178 million). Impairment reversals, due to increases in the net realizable value of inventories, amounted to €78 million in 2010 (2009: €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, 2010	Dec. 31, 2009
Gross value	5,530	5,430
Provisions for impairment in value	(492)	(504)
Trade accounts receivable	**5,038**	**4,926**
Advances to suppliers	476	410
Prepaid payroll taxes	25	28
Other prepaid and recoverable taxes (other than income tax)	385	357
Other	369	418
- France	82	89
- Other Western European countries	144	135
- North America	26	15
- Emerging countries and Asia	117	179
Provisions for impairment in value	(7)	(11)
Other receivables	**1,248**	**1,202**

The change in impairment provisions for trade accounts receivable in 2010 reflects €72 million in additions (2009: €110 million) and €90 million in reversals (2009: €50 million) – resulting from recoveries as well as write-offs. Bad debt write-offs are also reported under this caption, for €102 million (2009: €74 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 €879 million at December 31, 2010 (December 31, 2009: €756 million), including €196 million over three months past-due.

NOTE 10 Equity

Number of shares outstanding

At December 31, 2010, Compagnie de Saint-Gobain's capital stock comprised 530,836,441 shares of common stock with a par value of €4 each, all in the same class (December 31, 2009: 512,931,016 shares).

2010 stock dividends totaled €367 million, net of issuance costs, corresponding to 12,861,368 new shares.

During 2010, 4,993,989 new shares were issued to members of the 2010 Group Savings Plan at a price of €28.70, representing total proceeds of €143 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 23,750,000 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 (i) on November 19, 2009 to grant 1,479,460 stock options and an estimated 1,982,750 performance shares and (ii) on November 18, 2010 to grant 1,144,730 stock options and an estimated 737,550 performance shares. Consequently, the Board is currently authorized to issue 9,628,137 shares under stock option and performance share plans (of which 2,270,575 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 559,229,055. 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 782,613,203.

At the Annual General Meeting of June 3, 2010, the Board of Directors was also 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 (13th resolution). Under this authorization, the Group may issue up to €512 million worth of stock (excluding premiums), representing 128,000,000 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, 2010, 5,113,897 shares were held in treasury (December 31, 2009: 4,457,499).

In 2010, 1,105,161 shares were bought back on the market (2009: 183,577) and 461,473 shares were sold upon exercise of stock options (2009: 215,304). No shares were cancelled in either 2010 or 2009.

The liquidity contract set up with Exane BNP Paribas on November 16, 2007 was rolled over in 2009 and 2010. 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 2010, 5,008,989 shares were purchased under the contract (2009: 2,055,364 shares) and 4,996,279 shares were sold (2009: 2,111,287 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.

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.

Since the November 2007 plan, all stock options are subject to a four-year vesting period. Under earlier plans, the vesting period was three years for non-residents and four years for tax residents. 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 and Chief Executive Officer of Compagnie de Saint-Gobain and the Appointments Committee of the Board of Directors.

All options granted between 2001 and 2002 were exercisable for existing shares, while those granted between 2003 and 2007 were exercisable for new shares. For the 2008, 2009 and 2010 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, options granted were subject to a performance condition for certain categories of grantees. The 2009 and 2010 plans are subject to performance conditions for all grantees. For options granted in 2010, these vesting conditions are based on stock market performance.

Movements relating to stock options outstanding in 2009 and 2010 are summarized below:

	EUR 4 par value shares	Average exercise price *(in EUR)*
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**
Options granted	1,144,730	35.19
Options exercised	(511,541)	32.74
Options forfeited	(547,883)	34.11
Options outstanding at December 31, 2010	**28,748,648**	**41.27**

(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.

Stock option expense recorded in the income statement amounted to €26 million in 2010 (2009: €31.8 million). The fair value of options granted in 2010 amounted to €4.7 million.

The table below summarizes information about stock options outstanding at December 31, 2010:

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	
2001	36.37	1,874,182	11			1,874,182	Purchase
2002	21.28	1,202,152	23			1,202,152	Purchase
2003	32.26	2,873,941	35			2,873,941	Subscription
2004	39.39	4,012,816	47			4,012,816	Subscription
2005	41.34	4,066,120	59			4,066,120	Subscription
2006	52.52	4,306,454	71			4,306,454	Subscription
2007	64.72		83	64.72	3,917,673	3,917,673	Subscription
2008	25.88		95	25.88	3,871,120	3,871,120	Subscription or Purchase
2009	36.34		107	36.34	1,479,460	1,479,460	Subscription or Purchase
2010	35.19		119	35.19	1,144,730	1,144,730	Subscription or Purchase
TOTAL		**18,335,665**			**10,412,983**	**28,748,648**	

At December 31, 2010, 18,335,665 stock options were exercisable (at an average price of €40.29) and 10,412,983 options (average price €43.00) 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 2010, the Group issued 4,993,989 shares with a par value of €4 (2009: 8,498,377 shares) to members of the PEG, for a total of €143 million (2009: €134 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 €2.8 million in 2010 (2009: €7 million), net of the lock-up cost for employees of €21.1 million (2009: €31.2 million).

The following table shows the main features of the standard plans, the amounts invested in the plans and the valuation assumptions applied in 2010 and 2009.

		2010	2009
Plan characteristics			
	Grant date	29 March	23 March
	Plan duration (in years)	5 or 10	5 or 10
	Benchmark price (in EUR)	35.87	19.74
	Purchase price (in EUR)	28.70	15.80
	Discount (in %)	20.00%	20.00%
(a)	Total discount on the grant date (in %)	20.12%	28.11%
	Employee investments (in EUR millions)	143.3	134.3
	Total number of shares purchased	4,993,989	8,498,377
Valuation assumptions			
	Interest rate paid by employees (1)	6.33%	7.09%
	5-year risk-free interest rate	2.29%	2.73%
	Repo rate	0.25%	1.35%
(b)	Lock-up discount (in %)	17.73%	22.92%
	Total cost to the Group (in %) **(a-b)**	2.39%	5.19%

(1) A 0.5-point decline in borrowing costs for the employee would have an impact of €2.2 million on 2010 cost as calculated in accordance with IFRS 2.

Leveraged plan

Under the leveraged plan, eligible employees are 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.

No leveraged plans were set up in 2010 or 2009.

NOTE 13 Performance share plan

Various performance share plans have been set up since 2009. As of 31 December 2010, three such plans were outstanding:

- A worldwide plan authorized by the Board of Directors on November 19, 2009 whereby eligible employees and officers of the Saint-Gobain Group in France and abroad were each awarded seven performance shares.
The eligibility criterion is subject to a period of service within the Group and to a performance criterion. In all, a total of 1,359,960 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.

- A performance share plan for eligible employees and officers of the Saint-Gobain Group in France and abroad authorized by the Board of Directors on November 19, 2009. The eligibility criterion is subject to a period of service within the Group and to a performance criterion. In all, an estimated 622,790 performance shares may vest under the plan, on the same basis as those granted under the plan described above.

- A performance share plan for eligible employees and officers of the Saint-Gobain Group in France and abroad authorized by the Board of Directors on November 18, 2010. The eligibility criterion is subject to a period of service within the Group and to a performance criterion. In all, an estimated 737,550 performance shares may vest under the plan, as follows:

- for eligible Group employees in France, the vesting period will end on March 29, 2013 and the shares will be delivered on March 30, 2013. The vesting period will be followed by a two-year lock-up, such that the shares may not be sold until March 31, 2015 except in the case of the grantee's death or disability;
- for eligible Group employees outside France, the vesting period will end on March 30, 2015 and the shares will be delivered on March 31, 2015. No lock-up period will apply.

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

	Number of rights
Number of performance share rights at December 31, 2008	**0**
Performance share rights granted in November 2009	1,982,750
Shares issued/delivered	0
Lapsed and canceled rights	0
Number of performance share rights at December 31, 2009	**1,982,750**
Performance share rights granted in November 2010	737,550
Shares issued/delivered	0
Lapsed and canceled rights	0
Number of performance share rights at December 31, 2010	**2,720,300**

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 €12.7 million in 2010 (2009: €1.4 million).

NOTE 14 Provisions for pensions and other employee benefits

(in EUR millions)	December 31, 2010	December 31, 2009
Pensions	2,107	2,190
Length-of-service awards	224	224
Post-employment healthcare benefits	412	369
Total provisions for pensions and other post-employment benefit obligations	**2,743**	**2,783**
Healthcare benefits	49	45
Long-term disability benefits	30	35
Other long-term benefits	108	95
Provisions for pensions and other employee benefits	**2,930**	**2,958**

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

(in EUR millions)	December 31, 2010	December 31, 2009
Provisions for pensions and other post-employment benefit obligations	2,743	2,783
Pension plan surpluses	37	96
Net pension and other post-employment benefit obligations	**2,706**	**2,687**

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

(in EUR millions)	Pension and other post-employement benefit obligations	Fair value of plan assets	Other	Net pension and post-employment benefit obligations
At January 1, 2009	**6,803**	**(4,976)**	**222**	**2,049**
Movements during the year				
Service cost	148			148
Interest cost/return on plan assets	415	(323)		92
Contributions to pension		(172)		(172)
Employee contributions		(20)		(20)
Actuarial gains and losses and asset ceiling	953	(98)	(131)	724
Currency 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**
Movements during the year				
Service cost	174			174
Interest cost/return on plan assets	454	(355)		99
Contributions to pension		(375)		(375)
Employee contributions		(21)		(21)
Actuarial gains and losses and asset ceiling	330	(180)	(8)	142
Currency translation adjustment	367	(247)	2	122
Benefit payments	(429)	346		(83)
Past service cost	8			8
Changes in Group structure	10	(5)		5
Curtailments/settlements	(21)			(21)
Other		(3)	(28)	(31)
Total movements	**893**	**(840)**	**(34)**	**19**
AT DECEMBER 31, 2010	**8,892**	**(6,224)**	**38**	**2,706**

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

December 31, 2010

(in EUR millions)	France	Other Western European countries	North America	Rest of the World	Net total
Defined benefit obligation - funded plans	399	4,941	2,506	129	7,975
Defined benefit obligation - unfunded plans	214	269	400	34	917
Fair value of plan assets	182	4,178	1,770	94	6,224
Deficit/(surplus)	**431**	**1,032**	**1,136**	**69**	**2,668**
Asset ceiling					9
Insured plans					29
Net pension and other post-employment benefit obligations					**2,706**

December 31, 2009

(in EUR millions)	France	Other Western European countries	North America	Rest of the World	Net total
Defined benefit obligation - funded plans	369	4,602	2,103	90	7,164
Defined benefit obligation - unfunded plans	197	249	359	30	835
Fair value of plan assets	165	3,772	1,375	72	5,384
Deficit/(surplus)	**401**	**1,079**	**1,087**	**48**	**2,615**
Asset ceiling					15
Insured plans					57
Net pension and other post-employment benefit obligations					**2,687**

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 defined benefit supplementary pension plans, above which they are converted into defined contribution plans.

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

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

Provisions for other long-term employee benefits amounted to €187 million at December 31, 2010 (December 31, 2009: €175 million), and covered all other employee benefits, notably long-service awards in France, jubilees in Germany and employee benefits in the United States. The related defined benefit obligation is generally calculated on an actuarial basis using the same rules as for pension obligations.

Measurement of pension and other post-employment benefit obligations

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

The Group's total pension and other post-employment benefit obligations amounted to €8,892 million at December 31, 2010 (December 31, 2009: €7,999 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 €375 million in 2010 (2009: €172 million). The actual return on plan assets came to €535 million for the year (2009: €421 million).

The fair value of plan assets – which came to €6,224 million at December 31, 2010 (December 31, 2009: €5,384 million) – is deducted from the Group's defined benefit obligation, as estimated using the projected unit credit method, in order to calculate the unfunded obligation to be covered by a provision.

Plan assets are mainly composed of equities (44%) and bonds (40%), with the remaining 16% invested in other asset classes.

Projected contributions to pension plans for 2011 are estimated at around €507 million.

Actuarial assumptions used to measure defined benefit obligations and plan assets

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

The assumptions used in 2010 for the main plans were as follows:

	France	Other European countries		United States
(in %)		Euro zone	United Kingdom	
Discount rate	4.75%	4.75%	5.45%	5.50%
Salary increases	2.40%	1.90% to 2.70%	3.70%	3.00%
Expected return on plan assets	5.00%	4.15% to 5.25%	6.20%	8.75%
Inflation rate	1.80%	1.50% to 1.90%	3.20%	2.00%

The assumptions used in 2009 for the Group's 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%

Discount rates were set by region or country based on observed bond rates at December 31, 2010.

A 0.5-point decrease in the discount rate would lead to an increase in defined benefit obligations of around €215 million for the North American plans, €167 million for the euro-zone plans and €275 million for the UK plans. A 0.5-point increase in the inflation rate would lead to an overall increase in defined benefit obligations of €490 million.

The same assumptions concerning mortality, employee turnover and interest rates are used to determine the Group's defined benefit obligations for other long-term employee benefits. In the United States, retirees' healthcare costs are projected to rise by 8.25% per year. A 1-point increase in this rate would lead to an increase in the related defined benefit obligation of around €45 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. In 2010, firm financial markets, particularly in the second half, led to an actual return on plan assets of €535 million versus an expected return of €355 million. A 50 bps change in the estimated return on plan assets would have a €31 million impact on profit for the year.

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 2010, €142 million was recognized in equity (increase in provisions). This amount corresponds to €330 million in actuarial differences, including a €32 million negative experience adjustment (corresponding to the effects of differences between previous actuarial assumptions and what has actually occurred), less €8 million due to a lowering of the asset ceiling, and less the €180 million decrease in the defined benefit obligation resulting from an increase in plan assets.

The defined benefit obligation, asset ceiling and experience adjustments recognized since the application of the option available under IAS 19, are as follows:

(in EUR millions)	2010	2009	2008	2007	2006
Defined benefit obligation	8,892	7,999	6,803	7,699	8,544
Fair value of plan assets	(6,224)	(5,384)	(4,976)	(6,405)	(6,799)
Plan (surplus)/deficit	2,668	2,615	1,827	1,294	1,745
Experience actuarial gain (loss) as a % of the defined benefit obligation	(0.4)	(0.5)	0.4	0.7	0.3

Plan surpluses and the asset ceiling

When plan assets exceed the defined benefit obligation, the excess is recognized in other non-current assets under "Plan surplus" (see Note 7) provided that it corresponds to future economic benefits. The asset ceiling corresponds to the maximum future economic benefit. Changes in the asset ceiling are recognized in equity.

Contributions to insured plans

This item corresponds to amounts payable in the future to insurance companies under externally funded pension plans for Group employees in Spain and totaled €29 million at December 31, 2010 (December 31, 2009: €57 million).

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)	2010	2009
Service cost	174	148
Interest cost	454	415
Return on plan assets	(355)	(323)
Curtailments and settlements	(13)	(8)
Pensions, length-of-service awards and other post-employment benefits	**260**	**232**
Employee contributions	(21)	(20)
TOTAL	**239**	**212**

Additional information about defined contribution plans

Contributions to defined contribution plans for 2010 represented an estimated €604 million (2009: €569 million), including €420 million for government-sponsored basic pension schemes (2009: €376 million), €137 million for government-sponsored supplementary pension schemes, mainly in France (2009: €130 million), and €47 million for corporate-sponsored supplementary pension plans (2009: €63 million).

NOTE 15 Current and deferred taxes

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

(in EUR millions)	2010	2009
Net income	1,213	241
Less:		
Share in net income of associates	5	2
Income taxes	(577)	(196)
Pre-tax income of consolidated companies	**1,785**	**435**

Income tax expense breaks down as follows:

(in EUR millions)	2010	2009
Current taxes	**(541)**	**(438)**
France	(111)	(57)
Outside France	(430)	(381)
Deferred taxes	**(36)**	**242**
France	(28)	80
Outside France	(8)	162
Total income tax expense	**(577)**	**(196)**

The effective tax rate breaks down as follows:

(in %)	2010	2009
Tax rate in France	34.4	34.4
Impact of tax rates outside France	(3.1)	(5.2)
Capital gains and losses and asset impairments	1.9	25.5
Provisions for deferred tax assets	0.9	0.2
Effect of changes in future tax rates	(0.6)	(0.9)
Research tax credit	(1.0)	(5.6)
Other deferred and miscellaneous taxes	(0.2)	(3.3)
Effective tax rate	**32.3**	**45.1**

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

(in EUR millions)	Net deferred tax liability
At January 1, 2009	**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**
Deferred tax expense/(benefit)	36
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (Note 14)	(40)
Translation adjustments	(14)
Impact of changes in Group structure and other	(18)
At December 31, 2010	**209**

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

(in EUR millions)	Dec. 31, 2010	Dec. 31, 2009
Deferred tax assets	700	676
Deferred tax liabilities	(909)	(921)
Net deferred tax liability	**(209)**	**(245)**
Pensions	707	772
Brands	(814)	(805)
Depreciation & amortization, accelerated capital allowances and tax-driven provisions	(1,122)	(1,051)
Tax loss carryforwards	522	360
Other	498	479
TOTAL	**(209)**	**(245)**

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

Deferred tax assets of €700 million were recognized at December 31, 2010 (December 31, 2009: €676 million) including €447 million in the United States. Deferred tax liabilities recognized at December 31, 2010 amounted to €909 million (December 31, 2009: €921 million), including €381 million in France and €206 million in the United Kingdom. Deferred tax liabilities recognized in other countries represented considerably smaller amounts.

Deferred tax assets whose recovery is not considered probable totaled €154 million at December 31, 2010 (December 31, 2009: €153 million).

In France, the *taxe professionnelle* local business tax has been replaced, from 2010, by the *contribution économique territoriale* (CET), a two-part tax. The portion of the tax assessed on the value created by the business (*cotisation sur la valeur ajoutée des entreprises* – CVAE) has been included in income tax for the period, in the amount of €58 million. This accounting treatment is in accordance with IAS 12, because it is assessed on revenues net of expenses, particularly in the Building Distribution sector which represents roughly 50% of the Group's revenue in France. As a result of this accounting treatment, a €20 million net deferred tax liability arising from temporary differences between book values and tax bases at December 31, 2009 was recognized in income tax expense in the 2010 income statement.

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 January 1, 2009								
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	0	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**
Movements during the year								
Additions	166	28	136	31	83	77		521
Reversals		(17)	(26)	(9)	(19)	(74)		(145)
Utilizations	(120)	(10)	(126)	(16)	(63)	(66)		(401)
Changes in Group structure						2	9	11
Other (reclassifications and translation adjustments)	27	6	13	4	15	4	13	82
Total movements	**73**	**7**	**(3)**	**10**	**16**	**(57)**	**22**	**68**
At December 31, 2010								
Current portion	100	37	117	45	100	113	15	527
Non-current portion	1,338	137	120	47	157	286	143	2,228
Total	**1,438**	**174**	**237**	**92**	**257**	**399**	**158**	**2,755**

Provisions for claims and litigation

In 2010, 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.

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 €237 million at December 31, 2010 (December 31, 2009: €240 million), including net additions of €110 million during the year. The provisions primarily concern France (€44 million), Benelux (€44 million), Germany (€35 million), the United Kingdom (€30 million) and the United States (€29 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, 2010, provisions for other contingencies amounted to €399 million and mainly concerned France (€139 million), Germany (€82 million), the United States (€68 million), Latin America (€39 million), Italy (€24 million) and Spain (€21 million).

Investment-related liabilities

In 2010 and 2009, 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, 2010	Dec. 31, 2009
Trade accounts payable	5,690	5,338
Customer deposits	727	641
Payable to suppliers of non-current assets	354	293
Grants received	60	69
Accrued personnel expenses	1,149	1,065
Accrued taxes other than on income	446	416
Other	659	602
- France	115	102
- Germany	66	49
- United Kingdom	96	91
- Other Western European countries	130	145
- North America	57	42
- Emerging countries and Asia	195	173
Total other payables and accrued expenses	3,395	3,086

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

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.

To maintain secure sources of financing, Compagnie de Saint-Gobain has various 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 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 €0.1 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 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 have short maturities, 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, 2010, 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, 2010:

(in millions of euro equivalents)	Long	Short
EUR	1	10
USD	10	9
Other currencies	1	2
TOTAL	**12**	**21**

Based on a sensitivity analysis at December 31, 2010, 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	(0.8)
USD	0.1

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. The energy hedging programs may be inadequate to protect the Group against significant or unforeseen price swings that could result from the prevailing financial and economic environment.

The Group limits its exposure to energy price fluctuations by using swaps and options to hedge part of its fuel oil, natural gas and electricity purchases. The swaps and options are mainly contracted in the functional currency of the entities concerned. Hedges of 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 energy purchases (excluding fixed-price purchases negotiated directly with suppliers by the Purchasing Department) are generally arranged by the Group Treasury and Financing Department (or with the Delegations' treasury departments) in accordance with instructions received from SGA.

The steering committee does not manage hedges 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, credit risks arising from transactions with financial counterparties can escalate rapidly and 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)	2010	2009
Bond issues and Medium-Term Notes	7,104	8,151
Perpetual bonds and participating securities	203	203
Other long-term debt including finance leases	332	270
Debt recognized at fair value under the fair value option	157	157
Fair value of interest rate hedges	26	58
Total long-term debt (excluding current portion)	**7,822**	**8,839**
Current portion of long-term debt	**1,094**	**1,880**
Short-term financing programs (US CP, Euro CP, *Billets de Trésorerie*)	0	0
Bank overdrafts and other short-term bank borrowings	684	673
Securitizations	327	321
Fair value of derivatives not qualified as hedges of debt	3	(2)
Short-term debt and bank overdrafts	**1,014**	**992**
TOTAL GROSS DEBT	**9,930**	**11,711**
Cash and cash equivalents	(2,762)	(3,157)
TOTAL NET DEBT, INCLUDING ACCRUED INTEREST	**7,168**	**8,554**

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounted to €8.8 billion at December 31, 2010, for a carrying amount of €8.4 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, 2010 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	776	3,624	2,786	7,186
	GBP			694	694
Perpetual bonds and participating securities	EUR			203	203
Other long-term debt including finance leases	All currencies	125	206	125	456
Debt recognized at fair value under the fair value option	EUR	0	157	0	157
Fair value of interest rate hedges	EUR		26		26
TOTAL, EXCLUDING ACCRUED INTEREST		**901**	**4,013**	**3,808**	**8,722**

At December 31, 2010, 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	398	1,044	458	1,900

Interest on perpetual bonds and participating securities is calculated through to 2024.

Bond issues

On March 17, 2010 Compagnie de Saint-Gobain redeemed a €400 million bond issue that had reached maturity.

On April 16, 2010, Saint-Gobain Nederland redeemed a €1 billion bond issue that had reached maturity.

On October 8, 2010, Compagnie de Saint-Gobain issued €750 million worth of 4.00% bonds due 2018. The issue proceeds were used to refinance €634 million worth of bonds due May 2013 (initial nominal amount €750 million, 6.00% coupon, amount refinanced €175 million), September 2013 (initial nominal amount €750 million, 7.25% coupon, amount refinanced €145 million) and July 2014 (initial nominal amount €1 billion, 8.25% coupon, amount refinanced €314 million). In addition, to optimize the investment of its liquid assets, Compagnie de Saint-Gobain bought back €323 million in 4.25% bonds from a €1.1 billion issue due May 2011.

These transactions extended and smoothed the Group's bond debt maturities by reducing the 2011, 2013 and 2014 maturities, while also bringing down average borrowing costs.

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, 2010, 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, 2010, 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, 2010, issuance under these programs was as follows:

Programs *(in millions of currency units)*	Currency	Maturities	Authorized program at Dec. 31, 2010	Outstanding issues at Dec. 31, 2010	Outstanding issues at Dec. 31, 2009
Medium Term Notes	EUR	1 to 30 years	10,000	6,201	6,120
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	0

* Equivalent to €748 million based on the exchange rate at December 31, 2010.

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

Syndicated lines of credit

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

- A €2.5 billion syndicated line of credit obtained in June 2009 and expiring in June 2012. The facility was renegotiated in April 2010 and extended by one year until June 2013. In addition, the amount of the facility was reduced to €2 billion in May 2010, then to €1 billion in December 2010.

The €1 billion 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, 2010.

- A €3 billion syndicated line of credit obtained in December 2010. Expiring in December 2015, this facility was used to cancel the €2 billion line of credit expiring in November 2011 and to reduce the June 2009 facility from €2 billion to €1 billion as explained above.

Neither of these confirmed lines of credit was drawn down at December 31, 2010.

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 transfers the credit risk to the financial institution.

The US program amounted to €153 million at December 31, 2010 (December 31, 2009: €156 million).

The difference between the face value of the sold receivables and the sale proceeds is treated as a financial expense, and amounted to €4.7 million in 2010 (2009: €5.4 million).

The UK program amounted to €174 million at December 31, 2010 (December 31, 2009: €165 million), and the financial expense came to €1.5 million in 2010 (2009: €2.0 million).

Collateral

At December 31, 2010, €40.9 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, 2010			Fair value at Dec. 31, 2009	Nominal value broken down by maturity at December 31, 2010			
	Derivatives recorded in assets	Derivatives recorded in liabilities	Total		Within 1 year	1 to 5 years	Beyond 5 years	Total
Fair value hedges								
Interest rate swaps	19		19	4		1,250		1,250
Fair value hedges - total	**19**	**0**	**19**	**4**	**0**	**1,250**	**0**	**1,250**
Cash flow hedges								
Forward foreign exchange contracts	3	(1)	2	0	145	8		153
Currency options				0				0
Interest rate swaps		(45)	(45)	(62)		1,250		1,250
Energy and commodity swaps	7	(6)	1	(8)	89	1		90
Cash flow hedges - total	**10**	**(52)**	**(42)**	**(70)**	**234**	**1,259**	**0**	**1,493**
Derivatives not qualifying for hedge accounting								
Interest rate swaps	2		2	2		155		155
Currency swaps	4	(10)	(6)	0	1,539	19		1,558
Energy and commodity swaps	1	(1)	0	0	6			6
Forward foreign exchange contracts	0	0	0	0	67	1		68
Derivatives not qualifying for hedge accounting - total	**7**	**(11)**	**(4)**	**2**	**1,612**	**175**	**0**	**1,787**
TOTAL	**36**	**(63)**	**(27)**	**(64)**	**1,846**	**2,684**	**0**	**4,530**
"o/w derivatives used to hedge net debt"	25	(54)	(29)	(56)				0

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 energy (fuel oil, natural gas and electricity) purchases.

Impact on equity of financial instruments qualifying for hedge accounting

At December 31, 2010, the cash flow hedging reserve carried in equity in accordance with IFRS had a debit balance of €43 million, mainly breaking down as follows:

- €45 million unrealized loss corresponding to the remeasurement at fair value of interest rate swaps designated as cash flow hedges that are used to fix the interest rate on bonds;
- €3 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 €4 million loss at December 31, 2010 (December 31, 2009: €2 million profit).

Embedded derivatives

Saint-Gobain regularly analyzes its contracts in order to separately identify financial instruments classified as embedded derivatives under IFRS. At December 31, 2010, 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 4.8% at December 31, 2010 (December 31, 2009: 5.2%).

The average internal rates of return for the main components of long-term debt before hedging were as follows in 2010 and in 2009:

Internal rate of return on long-term debt

(in %)	Dec. 31, 2010	Dec. 31, 2009
Bonds and Medium Term Notes	5.35	5.35
Perpetual bonds and participating securities	3.97	4.92

The table below presents the breakdown by currency and by interest rate (fixed or variable) of the Group's gross debt at December 31, 2010, after giving effect to interest rate swaps and currency swaps.

Gross debt denominated in foreign currencies

	After hedging		
(in EUR millions)	Variable rate	Fixed rate	Total
EUR	2,503	6,056	8,559
GBP	(262)	695	433
USD	26	10	36
NOK, SEK and DKK	211	2	213
Other currencies	240	163	403
TOTAL	**2,718**	**6,926**	**9,644**
	28%	72%	100%
Fair value of related derivatives			29
Accrued interest			257
TOTAL GROSS DEBT			**9,930**

Interest rate repricing schedule for debt

The table below shows the interest rate repricing schedule at December 31, 2010 for gross debt after hedging:

(in EUR millions)	Within 1 year	1 to 5 years	Beyond 5 years	Total
Gross debt	3,862	2,557	3,511	9,930
Impact of interest rate swaps	(1,250)	1,250		0
GROSS DEBT AFTER HEDGING	**2,612**	**3,807**	**3,511**	**9,930**

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, 2010	Dec. 31, 2009
Loans and receivables			
Trade and other accounts receivable	(9)	6,286	6,128
Loans and deposits	(7)	210	188
Available-for-sale financial assets			
Available for sale and other securities [(a)]	(7)	25	28
Financial assets at fair value through profit or loss			
Derivatives recorded in assets [(b)]	(19) (20)	25	15
Cash and cash equivalents [(c)]	(19)	2,762	3,157
Financial liabilities at amortized cost			
Trade and other accounts payable	(17)	(9,085)	(8,424)
Long and short-term debt	(19)	(9,724)	(11,489)
Financial liabilities at fair value			
Long and short-term debt [(d)]	(19)	(177)	(166)
Derivatives recorded in liabilities [(b)]	(19)(20)	(54)	(71)

(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, corresponding to 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)	2010	2009
Net sales	40,119	37,786
Personnel costs		
- Salaries and payroll taxes	(7,825)	(7,476)
- Share-based payments [(a)]	(41)	(40)
- Pensions	(165)	(139)
Depreciation and amortization	(1,535)	(1,514)
Other [(b)]	(27,436)	(26,401)
Operating income	3,117	2,216
Other business income [(c)]	87	36
Negative goodwill recognized in income	0	0
Other business income	87	36
Restructuring costs [(d)]	(242)	(435)
Provisions and expenses relating to claims and litigation [(e)]	(161)	(123)
Impairment of assets and other business expenses [(f)]	(235)	(416)
Other	(42)	(38)
Other business expense	(680)	(1,012)
Business income	2,524	1,240

(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 net foreign exchange gains and losses, representing almost a nil amount in 2010, compared with a net foreign exchange loss of €18 million in 2009. In 2010, research and development costs recorded under operating expenses amounted to €402 million (2009: €386 million).

(c) In 2010, other business income included capital gains on disposals of property, plant and equipment and intangible assets.

(d) Restructuring costs in 2010 mainly consisted of employee termination benefits in an amount of €155 million (2009: €327 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 2010 included impairment losses of €87 million on goodwill (2009: €210 million) and €133 million on property, plant and equipment and intangible assets (2009: €91 million). The balance corresponds to impairment losses on financial assets and current assets.

NOTE 23 Net financial expense

Breakdown of other financial income and expense

(in EUR millions)	2010	2009
Interest cost - pension and other post-employment benefit obligations	(464)	(440)
Return on plan assets	355	338
Interest cost - pension and other post-employment benefit obligations - net	(109)	(102)
Other financial expense	(123)	(101)
Other financial income	12	18
Other financial income and expense	(220)	(185)

Recognition of financial instruments

Net financial expense amounted to €739 million in 2010 (2009: €805 million). Of this amount, €503.1 million (2009: €585.5 million) relates to instruments carried at amortized cost by Compagnie de Saint-Gobain and Saint-Gobain Nederland. Instruments measured at fair value by these two entities resulted in a positive impact of €0.4 million (2009: €20.5 million).

NOTE 24 Recurring net income – cash flow from operations – EBITDA

Recurring net income totaled €1,335 million in 2010 (2009: €617 million). Based on the weighted average number of shares outstanding at December 31 (517,954,691 shares in 2010, 473,244,410 shares in 2009), recurring earnings per share amounted to €2.58 in 2010 and €1.30 in 2009.

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

(in EUR millions)	2010	2009
Net income attributable to equity holders of the parent	1,129	202
Less:		
Gains on disposals of assets	87	(32)
Impairment of assets	(235)	(348)
Provision for competition litigation and other non-recurring provision charges	(75)	(71)
Impact of minority interests	0	1
Tax impact	17	35
Recurring net income attributable to equity holders of the parent	1,335	617

Cash flow from operations for 2010 amounted to €3,004 million (2009: €2,303 million). Excluding tax on capital gains and losses, cash flow from operations came to €2,987 million in 2010 (2009: €2,268 million). These amounts are calculated as follows:

(in EUR millions)	2010	2009
Net income attributable to equity holders of the parent	1,129	202
Minority interests in net income	84	39
Share in net income of associates, net of dividends received	(5)	2
Depreciation, amortization and impairment of assets	1,755	1,857
Gains and losses on disposals of assets	(87)	32
Non-recurring charges to provisions	75	71
Unrealized gains and losses arising from changes in fair value and share-based payments	53	100
Cash flow from operations	3,004	2,303
Tax on capital gains and losses and non-recurring charges to provisions	(17)	(35)
Cash flow from operations before tax on capital gains and losses and non-recurring charges to provisions	2,987	2,268

EBITDA amounted to €4,652 million in 2010 (2009: €3,730 million), calculated as follows:

(in EUR millions)	2010	2009
Operating income	3,117	2,216
Depreciation and amortization	1,535	1,514
EBITDA	4,652	3,730

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)
2010			
Weighted average number of shares outstanding	1,129	517,954,691	2.18
Weighted average number of shares assuming full dilution	1,129	519,887,155	2.17
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

The weighted average number of shares outstanding is calculated by deducting treasury stock (5,113,897 shares at December 31, 2010) 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 consist of stock options and performance share grants corresponding to a weighted average of 1,168,941 shares and 763,523 shares respectively in 2010.

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, 2010, €44 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 €130 million at December 31, 2010 (December 31, 2009: €168 million).

(in EUR millions)	2010	2009
Future minimum lease payments		
Due within 1 year	42	46
Due in 1 to 5 years	65	85
Due beyond 5 years	13	19
Total	**120**	**150**
Less finance charge	(12)	(16)
Present value of future minimum lease payments	**108**	**134**

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 €741 million in 2010, corresponding to rental expense of €759 million – of which €488 million for property leases – less €18 million in revenue from subleases.

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

(in EUR millions)	Total 2010	Payments due Within 1 year	Payments due 1 to 5 years	Payments due Beyond 5 years	Total 2009
Operating leases					
Rental expense	2,697	666	1,395	636	3,059
Subletting revenue	(46)	(14)	(22)	(10)	(66)
TOTAL	**2,651**	**652**	**1,373**	**626**	**2,993**

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 2010	Payments due Within 1 year	Payments due 1 to 5 years	Payments due Beyond 5 years	Total 2009
Non-cancelable purchase commitments					
Non-current assets	184	166	17	1	97
Raw materials	624	259	303	62	525
Services	119	52	64	3	112
Other	127	58	63	6	172
TOTAL	**1,054**	**535**	**447**	**72**	**906**

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 €95 million at December 31, 2010 (December 31, 2009: €102 million).

Commercial commitments

(in EUR millions)	Total 2010	Payments due Within 1 year	1 to 5 years	Beyond 5 years	Total 2009
Commercial commitments					
Security for borrowings	37	14	1	22	54
Written put options	0				0
Other commitments given	237	86	29	122	119
TOTAL	**274**	**100**	**30**	**144**	**173**

At December 31, 2010, pledged assets amounted to €70 million and mainly concerned fixed assets in Brazil (December 31, 2009: €215 million, mainly concerning fixed assets in India).

Guarantees given to the Group in respect of receivables amounted to €100 million at December 31, 2010 (December 31, 2009: €79 million).

Other commitments

Greenhouse gas emissions allowances granted to Group companies under the 2008-2012 plan represent approximately 6.9 million metric tons of CO_2 emissions per year. The 2009 and 2010 allowances are above the greenhouse gas emissions for those years and, consequently, no provision has been recorded in this respect in the Group accounts.

NOTE 27 Litigation

Asbestos-related litigation in France

In France, further individual lawsuits were filed in 2010 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 722 such lawsuits have been issued against the two companies since 1997.

At December 31, 2010, 642 of these 722 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 80 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2010, the merits of 17 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 except 2, the Social Security authorities were ordered to pay compensation for the victims for procedural reasons (non-opposability).
A further 33 of these 80 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 30 remaining lawsuits, at December 31, 2010 the procedures relating to the merits of 28 cases were at different stages, with 8 being investigated by the French Social Security authorities and 20 pending before the Social Security courts. The final two suits have been withdrawn by the plaintiffs who can ask for them to be re-activated at any time within a two-year period.

In addition, as of December 31, 2010, 140 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, 93 lawsuits had been completed. In 29 of these cases, the employer was held liable for inexcusable fault.

For the 47 suits outstanding at December 31, 2010, arguments were being prepared by the French Social Security authorities in six cases, 34 were being investigated – including 26 pending before the Social Security courts, 6 before the Courts of Appeal and 2 before the Court of Cassation– and 7 had been completed in terms of liability but not in terms of quantum, of which 6 pending before the Courts of Appeal and 1 before the Social Security court.

Asbestos-related litigation in the United States

In the United States, several companies that once manufactured products containing asbestos such as asbestos-cement pipes, roofing products, specialized insulation or gaskets, are facing legal action from persons other than their employees or former employees. These claims for compensatory – and in many cases punitive – damages are based on alleged exposure to the products, although in many instances the claimants cannot demonstrate any specific exposure to one or more products, or any specific illness or physical disability. The vast majority of these claims are made simultaneously against many other non-Group entities which have been manufacturers, distributors, installers or users of products containing asbestos.

Developments in 2010

About 5,000 new claims were filed against CertainTeed in 2010, compared to about 4,000 in 2009, 5,000 in 2008, 6,000 in 2007 and 7,000 in 2006. Over the last five years the number of new claims has remained relatively stable.

Almost all of the claims against CertainTeed are settled out of court. Approximately 13,000 of the pending claims were resolved in 2010, compared to 8,000 in 2009, in 2008 and in 2007, and compared to 12,000 in 2006. Taking into account the 64,000 outstanding claims at the end of 2009 and the new claims having arisen during the year, as well as claims settled, some 56,000 claims were outstanding at December 31, 2010. 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 €97 million charge in 2010 to cover future developments in relation to claims involving CertainTeed. This amount is higher than the €75 million recorded in 2009 and 2008, and relatively close to the €90 million recorded in 2007 and the €95 million recorded in 2006. At December 31, 2010, the Group reserve for asbestos-related claims against CertainTeed in the United States amount to €375 million (USD 501 million), compared with €347 million, (USD 500 million) at December 31, 2009, €361 million (USD 502 million) at December 31, 2008, €321 million (USD 473 million) at December 31, 2007, and €342 million (USD 451 million) at December 31, 2006.

Cash flow impact

Compensation paid in respect of these claims against CertainTeed, including claims settled prior to 2010 but only paid out in 2010, and those fully resolved and paid in 2010, and compensation paid (net of insurance) in 2010 by other Group businesses in connection with asbestos-related litigation, amounted to €78 million (USD 103 million), compared to €55 million (USD 77 million) in 2009, €48 million (USD 71 million) in 2008, €53 million (USD 73 million) in 2007, and €67 million (USD 84 million) in 2006. The increase in the total amount of compensation paid in 2010 compared to the amount paid in 2009 is mainly due to a higher number of resolved claims and timing issues that delayed some settlement payments from late 2009 to early 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 brought by former employees (or persons claiming through them) were outstanding at December 31, 2010, and they do not currently represent a material risk for the companies concerned.

Ruling by the European Commission following the investigation into the automotive glass industry

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 General Court of the European Union.

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

The provision set aside to cover the fine, the late interest, the cost of the above bond and the related legal costs amounted to €1,029 million at December 31, 2010.

The appeal against the November 12, 2008 decision is currently pending before the General Court of the European Union in Luxembourg.

NOTE 28 Related-party transactions

Balances and transactions with associates

(in EUR millions)	2010	2009
Assets		
Financial receivables	1	1
Inventories	0	0
Short-term receivables	9	11
Cash and cash equivalents	0	0
Provisions for impairment in value	0	1
Liabilities		
Short-term debt	3	3
Cash advances	1	1
Expenses		
Purchases	8	16
Income		
Sales	34	40

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 2010, these revenues amounted to €21 million (2009: €11 million).

Transactions with key shareholders

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

NOTE 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)	2010	2009
Assets		
Non-current assets	277	283
Current assets	164	140
Liabilities		
Non-current liabilities	22	35
Current liabilities	88	119
Expenses		
Operating expenses	247	263
Income		
Sales	310	311

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 2010:

(in EUR millions)	2010	2009
Attendance fees	0.8	0.8
Direct and indirect compensation (gross):		
- fixed portion	7.7	7.6
- variable portion	3.2	2.6
Estimated compensation cost - pensions and other employee benefits (IAS 19)	1.6	2.1
Expense relating to stock options	7.3	8.2
Termination benefits	0.0	0.0
TOTAL	**20.6**	**21.3**

Employers' social security contributions relating to the above compensation represented an estimated €3.4 million.

Pension obligations for the Group's directors and corporate officers totaled €42.9 million.

NOTE 31 Employees

(Average number of employees)	2010	2009
Fully consolidated companies		
Managers	25,077	25,179
Administrative employees	78,699	81,005
Other employees	87,875	90,862
Total	191,651	197,046
Proportionately consolidated companies (*)		
Managers	65	112
Administrative employees	449	584
Other employees	757	971
Sub-total	1,271	1,667
TOTAL	**192,922**	**198,713**

(*) Proportion of headcount allocated to the Group.

At December 31, 2010, the total number of Group employees – including in proportionately consolidated companies – was 187,891 (December 31, 2009: 189,876).

NOTE 32 Segment information

Segment information by sector and division

Segment information is presented as follows:

- Innovative Materials (IM) Sector
  - Flat Glass
  - High-Performance Materials (HPM)
- Construction Products (CP) Sector
  - Interior Solutions: Insulation and Gypsum
  - Exterior Solutions: Industrial Mortars, Pipe and Exterior Fittings
- Building Distribution Sector
- Packaging Sector

Management uses several different internal indicators to measure operational performance and to make resource allocation decisions. These indicators are based on the data used to prepare the consolidated financial statements and meet financial reporting requirements. Intragroup ("internal") sales are generally carried out on the same terms as sales to external customers and are eliminated in consolidation. The accounting policies used are the same as those applied for consolidated financial reporting purposes, as described in Note 1.

2010	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	5,179	3,983		9,162	4,662	5,416		10,078	17,323	3,553	3	40,119
Internal sales	39	105	(23)	121	533	365	(36)	862	3		(986)	0
Net sales	5,218	4,088	(23)	9,283	5,195	5,781	(36)	10,940	17,326	3,553	(983)	40,119
Operating income/(loss)	439	585		1,024	379	685		1,064	578	434	17	3,117
Business income/(loss)	289	594		883	305	623		928	403	404	(94)	2,524
Share in net income/(loss) of associates	1	1		2	5	(3)		2	(1)	2		5
Depreciation and amortization	307	175		482	332	188		520	273	235	25	1,535
Impairment of assets	39	42		81	22	22		44	103	3	1	232
Capital expenditure	413	149		562	195	228		423	188	262	18	1,453
Cash flow from operations				958				834	447	488	277	3,004
EBITDA	746	760		1,506	711	873		1,584	851	669	42	4,652
Goodwill, net				1,459				5,920	3,402	249	0	11,030
Non-amortizable brands				0				835	1,912	0	0	2,747
Total segment assets **				7,093				12,368	8,179	2,171	168	29,979

* "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.

2009 *(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	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	0	(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	0		1	(1)	(1)		(2)	2	1	0	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				0				820	1,854	0		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.

Information by geographic area

(in EUR millions)	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	Total
2010						
Net sales	11,388	17,063	5,516	7,983	(1,831)	40,119
Total segment assets	6,886	12,373	4,616	6,104		29,979
Capital expenditure	291	428	202	532		1,453

(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

NOTE 33 Principal fully consolidated companies

The table below shows the Group's principal consolidated companies, typically those with annual sales of over €100 million.

Principal fully consolidated companies at December 31, 2010		% 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 Zoo	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	98.22%
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, 2010		% 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%
CertainTeed Gypsum & Ceillings USA	United States	100.00%
CertainTeed 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 S.p.a	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%
Mag Japan	Japan	97.39%
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 España SA	Spain	99.83%
Saint-Gobain PAM Italia S.p.a	Italy	100.00%
Saint-Gobain Canalizaçao Ltda	Brazil	100.00%
Saint-Gobain Xuzhou Pipe Co Ltd	China	100.00%
SG Pipelines Co Ltd	China	100.00%

Principal fully consolidated companies at December 31, 2010		% interest (held directly and indirectly)
BUILDING DISTRIBUTION SECTOR		
Distribution Sanitaire Chauffage	France	100.00%
Lapeyre	France	100.00%
Point.P	France	100.00%
Saint-Gobain Distribucion Construccion, S.L	Spain	99.83%
Saint-Gobain Building Distribution Deutschland GmbH	Germany	100.00%
Saint-Gobain Building Distribution Ltd	United Kingdom	99.97%
Saint-Gobain Distribution The Netherlands B.V	Netherlands	100.00%
Saint-Gobain Distribution Nordic Ab	Sweden	100.00%
Optimera As	Norway	100.00%
Saint-Gobain Distribution Denmark	Denmark	100.00%
Sanitas Troesch Ag	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 S.p.a	Italy	99.99%

NOTE 34 Subsequent events

None.

STATUTORY AUDITORS' REPORT

ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2010

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, 2010, on:
- the audit of the accompanying consolidated financial statements of Compagnie de Saint-Gobain;
- the justification of our assessments;
- the specific verification required by law.

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

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, 2010 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

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 to the consolidated financial statements 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 24, 2011

The Statutory Auditors

PricewaterhouseCoopers Audit

Rémi DIDIER Jean-Christophe GEORGHIOU

KPMG Audit
Department of KPMG S.A.

Jean-Paul VELLUTINI Philippe GRANDCLERC

FINANCIAL STATEMENTS OF COMPAGNIE DE SAINT-GOBAIN (parent company)

INCOME STATEMENT

(in EUR thousands)		2010	2009
Operating revenue			
Royalties and license fees		107,723	104,558
Other services		68,404	67,097
Net revenue		**176,127**	**171,655**
Write-backs of depreciation, amortization, impairment and provisions		9,072	9,193
Expense transfers		3,417	11,494
Other operating income		214	298
	TOTAL I	188,830	192,640
Operating expenses			
Other purchases and external charges		(97,426)	(111,791)
Taxes other than on income		(6,106)	(5,954)
Wages and salaries		(40,373)	(33,517)
Payroll taxes		(16,823)	(15,578)
Depreciation, amortization, impairment and provisions		(21,357)	(21,385)
Other operating expense		(2,335)	(2,604)
	TOTAL II	(184,420)	(190,829)
OPERATING INCOME		**4,410**	**1,811**
Share in profits/(losses) of joint ventures			
Profits	TOTAL III		
Losses	TOTAL IV		
Financial income			
Income from investments in subsidiaries and affiliates		954,057	755,538
Income from loans and other investments		605,390	738,854
Income from other non-current investment securities		9	17
Other interest income		54,258	112,417
Write-backs of impairment and provisions, expense transfers		7,764	29,735
Foreign exchange gains		28,450	11,278
Net income from sales of marketable securities		6,687	16,323
	TOTAL V	1,656,615	1,664,162
Financial expense			
Amortization, impairment and provisions		(32,925)	(30,250)
Interest expense		(578,585)	(740,552)
Foreign exchange losses		(25,247)	(356)
Net losses on sales of marketable securities			
	TOTAL VI	(636,757)	(771,158)
NET FINANCIAL INCOME (Note 2)		**1,019,858**	**893,004**
INCOME BEFORE TAX AND EXCEPTIONAL ITEMS		**1,024,268**	**894,815**

(in EUR thousands)		2010	2009
Exceptional income			
On revenue transactions		7,038	6,444
On capital transactions		18,945	8,758
Write-backs of depreciation, amortization, impairment and provisions		4,759	25,457
	TOTAL VII	30,742	40,659
Exceptional expense			
On revenue transactions		(8,739)	(3,496)
On capital transactions		(22,842)	(10,906)
Depreciation, amortization, impairment and provisions		(7,157)	(33,313)
	TOTAL VIII	(38,738)	(47,715)
NET EXCEPTIONAL EXPENSE (Note 3)		**(7,996)**	**(7,056)**
INCOME TAXES (Note 4)	**TOTAL IX**	**160,637**	**150,254**
Total income		1,876,187	1,897,461
Total expenses		(699,278)	(859,448)
NET INCOME		**1,176,909**	**1,038,013**

BALANCE SHEET AT DECEMBER 31

ASSETS (in EUR thousands)		2010 Gross	2010 Depreciation, amortization and impairment	2010 Net	2009
NON-CURRENT ASSETS					
Intangible assets (Note 5)					
Goodwill [1]		567	(567)	–	–
Other intangible assets		46,440	(43,351)	3,089	5,326
Intangible assets in progress		5,309		5,309	2,710
Property and equipment (Note 6)					
Land		14,538		14,538	15,146
Buildings		16,850	(2,402)	14,448	13,388
Other		9,912	(6,443)	3,469	3,823
Assets under construction		753		753	2,338
Financial investments [2] (Note 7)					
Investments in subsidiaries and affiliates		12,369,488	(631)	12,368,857	12,368,848
Loans and advances to subsidiaries and affiliates		11,211,770		11,211,770	11,678,378
Other investment securities		200,244	(55,188)	145,056	124,673
Other loans		646,921		646,921	679,440
Other financial investments		433		433	328
	TOTAL I	24,523,225	(108,582)	24,414,643	24,894,398
CURRENT ASSETS (Note 8)					
Other receivables [3]		2,287,734		2,287,734	2,320,966
Marketable securities		1,160,512	(17)	1,160,495	2,147,765
Cash and cash equivalents		369,495		369,495	172,214
Accruals					
Prepayments [3]		2,255		2,255	2,328
	TOTAL II	3,819,996	(17)	3,819,979	4,643,273
Deferred charges	TOTAL III	148,693	–	148,693	52,098
Translation losses	TOTAL IV	–	–	–	–
TOTAL ASSETS		28,491,914	(108,599)	28,383,315	29,589,769
(1) including leasehold rights				-	-
(2) of which due within one year				2,464,133	2,421,852
(3) of which due beyond one year				371	1,655

SHAREHOLDERS' EQUITY AND LIABILITIES *(in EUR thousands)*		2010	2009
SHAREHOLDERS' EQUITY (Note 9)			
Capital stock		2,123,346	2,051,724
Additional paid-in capital		5,568,628	5,136,291
Revaluation reserve		55,532	55,532
Other reserves:			
- Legal reserve [(a)]		212,335	205,172
- Untaxed reserves		2,617,758	2,617,758
- Other reserves		301,428	301,428
Unappropriated retained earnings		2,917,454	2,388,142
Net income for the year		1,176,909	1,038,013
Untaxed provisions (note 11)		11,240	8,869
	TOTAL I	14,984,630	13,802,929
OTHER EQUITY (Note 10)			
Non-voting participating securities	TOTAL I bis	170,035	170,035
PROVISIONS (Note 11)			
Provisions for contingencies		102,133	100,959
Provisions for charges		80,795	73,285
	TOTAL II	182,928	174,244
Liabilities [(1)] (Note 12)			
Bonds		7,683,745	8,310,977
Bank borrowings [(2)]		206,261	222,188
Other borrowings		5,073,006	6,781,213
Tax and social charges payable		52,500	93,213
Other payables		26,638	34,970
Accruals			
Deferred income		3,572	–
	TOTAL III	13,045,722	15,442,561
Translation gains	TOTAL IV		
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**28,383,315**	**29,589,769**
(a) of which long-term capital gains reserves		14,225	14,225
(1) of which due beyond one year		7,384,838	8,763,938
of which due within one year		5,660,884	6,678,623
(2) of which short-term bank loans and overdrafts		45,057	66,053

CASH FLOW STATEMENT

(in EUR thousands)	2010	2009
Net income	1,176,909	1,038,013
Depreciation and amortization	33,971	13,988
Changes in provisions	5,873	6,575
Gains and losses on disposals of assets, net	2,654	1,034
Net cash from operations	1,219,407	1,059,610
(Increase) decrease in other receivables	33,231	1,063,300
(Increase) decrease in deferred charges and prepaid expenses	(127,797)	(39,720)
Increase (decrease) in taxes and social charges payable	(40,713)	(20,166)
Increase (decrease) in other payables	(2,873)	(30,765)
Net change in working capital	(138,152)	972,649
Net cash from/(used in) operating activities	1,081,255	2,032,259
Acquisitions of intangible assets	(4,262)	(2,808)
Acquisitions of property and equipment	(691)	(17,426)
Proceeds from disposals of property and equipment and intangible assets	797	–
Acquisitions of investments in subsidiaries and affiliates and other investment securities	(9)	(3,312,392)
Acquisitions of treasury stock	(36,244)	–
Proceeds from disposals of investments in subsidiaries and affiliates and other investment securities	18,148	19,568
(Increase) decrease in loans and advances to subsidiaries and affiliates	466,607	988,639
(Increase) decrease in long-term loans	32,519	320,933
(Increase) decrease in other financial investments	(105)	131
Net cash used in investing activities	476,760	(2,003,355)
Issues of capital stock	511,121	1,923,156
Dividends paid	(508,700)	(486,009)
Increase (decrease) in provisions for contingencies and charges	958	11,545
Increase (decrease) in short- and long-term debt	(1,788,419)	(179,074)
Increase (decrease) in bank overdrafts and other short-term debt	(562,947)	(231,718)
Decrease (increase) in marketable securities	987,253	(923,215)
Increase (decrease) in translation adjustments	–	(17)
Net cash from financing activities	(1,360,734)	114,668
Increase (decrease) in cash and cash equivalents	197,281	143,572
Cash and cash equivalents at beginning of year	172,214	28,642
Cash and cash equivalents at end of year	369,495	172,214
Analysis of cash and cash equivalents at December 31		
Cash at bank	369,495	172,214
Cash on hand	0	0
Total	369,495	172,214

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The financial statements cover the twelve-month period from January 1 to December 31, 2010.

The following notes form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on February 24, 2011.

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, 2010, Compagnie de Saint-Gobain had no outstanding currency options.

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 and 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, the subsidiaries record in their accounts the income tax expense or benefit that would have been incurred or received if they had been taxed on a stand-alone basis. Subsidiaries with taxable income transfer to Compagnie de Saint-Gobain the amount that would have been paid to the tax administration. When a loss-making subsidiary leaves the tax group, Compagnie de Saint-Gobain is not required to make any cash payment to it to cover the tax benefits obtained by utilizing its tax losses.

NOTE 2 Net financial income

Net financial income increased by €126.9 million in 2010 to €1,019.9 million from €893.0 million in 2009, reflecting:

- a €198.5 million increase in dividends received from subsidiaries;
- a €39.3 million decline in income from loans and investments, net of interest expense;
- a €7.7 million decrease in net foreign exchange gains (after the impact of provisions).

Changes in amortization and impairment of financial assets represented a net expense of €25.1 million in 2010. The €24.6 million unfavorable change compared with net expense of just €0.5 million in 2009 was due to:

- a €21.8 million increase in amortization of debt issuance costs and syndicated loan arrangement fees;
- a €4.6 million increase in provisions related to Compagnie de Saint-Gobain shares held for allocation on exercise of stock options;
- these unfavorable changes were partly offset by a €1.8 million increase in provision reversals to offset losses on sales of Compagnie de Saint-Gobain shares. These losses amounted to €4.9 million in 2010 versus €2.8 million in 2009 and were recorded in exceptional expense.

NOTE 3 Exceptional income and expense

The Company reported net exceptional expense of €8.0 million in 2010, primarily comprising:

- a €4.9 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 €2.9 million in 2010 and was included in exceptional items;
- a €3.9 million loss on bonds bought back on the market in a debt management transaction that also contributed to reducing interest costs;
- €2.4 million in accelerated capital allowances recognized during the year;
- €1.6 million in restructuring costs;
- net write-backs of provisions for taxes in the amount of €1.0 million;
- a net gain of €0.4 million on sales of the Company's shares under the liquidity contract managed by Exane.

NOTE 4 Income taxes

The Company recorded a net income tax benefit of €160.6 million in 2010, corresponding primarily to:

- French group relief of €158.0 million for 2010, net of income tax expense of €10.2 million due by Compagnie de Saint-Gobain on a stand-alone basis;
- net income tax expense of €3.1 million in respect of tax adjustments related to prior years and reversals of deferred tax assets;
- a tax benefit of €5.7 million for the Company's German branch, including €15.1 million under the German group relief regime *(Organschaft)*.

The French tax group generated a taxable profit in 2010 and therefore used part of the tax loss carryforwards of the loss-making companies in the group. At December 31, 2010, future tax savings corresponding to unused tax loss carryforwards and tax credits amounted to €72 million.

The German branch also reported a taxable profit under the *Organschaft* regime in 2010. At December 31, 2010, future tax savings corresponding to the branch's unused tax loss carryforwards amounted to €7.3 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, 2010	Additions	Disposals	Gross at Dec. 31, 2010	Accumu-lated at January 1, 2010	Increases	Decreases	Accumu-lated at Dec. 31, 2010
Purchased goodwill	567	–	–	567	567	–	–	567
Other intangible assets	46,480	969	(1,009)	46,440	41,154	3,206	(1,009)	43,351
Greenhouse gas emissions allowances	–	–	–	–	–	–	–	–
Intangible assets in progress	2,710	3,976	(1,377)	5,309	–	–	–	–
	49,757	**4,945**	**(2,386)**	**52,316**	**41,721**	**3,206**	**(1,009)**	**43,918**

The negative amount shown on the "Intangible assets in progress" line under "Disposals" corresponds to software scrapped during the year and the value of assets put into service during the year and reclassified to an intangible assets account.

NOTE 6 Property and equipment

	Property and equipment				Depreciation			
(in EUR thousands)	Gross at January 1, 2010	Additions	Disposals	Gross at Dec. 31, 2010	Accumu-lated at January 1, 2010	Additions	Disposals	Accumu-lated at Dec. 31, 2010
Land [(1)]	15,146	–	(608)	14,538	–	–	–	–
Buildings [(1)]	15,099	2,013	(262)	16,850	1,711	766	(75)	2,402
Other	9,671	264	(23)	9,912	5,848	612	(17)	6,443
Assets under construction	2,338	430	(2,015)	753	–	–	–	–
Prepayments	0	–	–	0	–	–	–	–
	42,254	**2,707**	**(2,908)**	**42,053**	**7,559**	**1,378**	**(92)**	**8,845**

(1) The decrease in "Land" and "Buildings" corresponds to the sale of a residential property by the German branch.

NOTE 7 Financial investments

	Financial investments			
(in EUR thousands)	Gross at January 1, 2010	Additions	Disposals	Gross at December 31, 2010
Investments in subsidiaries and affiliates	12,369,479	9	–	12,369,488
Loans and advances to subsidiaries and affiliates	11,678,378	11,432,060	(11,898,668)	11,211,770
Other investment securities	184,104	36,531	(20,391)	200,244
Other loans	679,440	3,758,372	(3,790,891)	646,921
Other financial investments	328	244	(139)	433
	24,911,729	**15,227,216**	**(15,710,089)**	**24,428,856**

Changes in investments in subsidiaries and affiliates

(in EUR thousands)	Additions	Disposals
Purchase of shares in SG Isover G+H AG	9	
TOTAL	**9**	**0**

Analysis of loans, receivables and other financial investments by maturity

	Total	Due	
(in EUR thousands)		Within 1 year	Beyond 1 year
Loans and advances to subsidiaries and affiliates	11,211,770	1,817,212	9,394,558
Other loans	646,921	646,921	–
Other	433	–	433
TOTAL	**11,859,124**	**2,464,133**	**9,394,991**

Changes in other investment securities

(in EUR thousands)	Additions	Disposals
Purchases of Compagnie de Saint-Gobain shares	36,244	–
Exchanges of other investment securities	–	(287)
Exchanges of other investment securities	287	–
Sales of Compagnie de Saint-Gobain shares	–	(20,057)
Other sales of shares	–	(47)
TOTAL	**36,531**	**(20,391)**

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, 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
Shares purchased in 2010	1,000,000	36,244	36,244
Shares sold in 2010	(461,473)	(20,057)	(15,123)
Shares cancelled in 2010	–	–	–
Adjustments to provision for impairment in value	–	–	(663)
At December 31, 2010	4,487,136	200,026	144,918

The **4,487,136** shares shown in the table above are held in connection with stock option plans.

The Company also holds **268,500** 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, 2010 to **4,755,636.**

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	2,287,734	2,287,604	130
Prepayments	2,255	2,014	241
TOTAL	**2,289,989**	**2,289,618**	**371**
Provisions for doubtful receivables	–	–	–

Analysis of "Other receivables"

(in EUR thousands)	2010	2009
Current account advances to subsidiaries	2,233,952	2,211,215
Income tax prepayments	11,669	64,922
Accounts receivable – Group	27,739	28,805
Prepaid and recoverable taxes	6,803	6,801
Goods and services delivered but not yet invoiced	3,421	3,665
Mark-to-market adjustments to swaps and options (1)	1,346	1,513
Recoverable withholding tax	131	148
Dividends receivable – Group	–	–
Other	2,673	3,897
TOTAL	**2,287,734**	**2,320,966**

(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 €1,160 million at December 31, 2010.

The total included €1,131 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, 2010 comprised:

- €18.7 million worth of units in a euro-denominated money market fund, and
- 268,500 Compagnie de Saint-Gobain shares with a carrying value of €10.3 million.

Marketable securities are valued using the first in-first out (FIFO) method.

Deferred charges

(in EUR thousands)	2010	2009
Bond issuance costs	121,542	22,386
Syndicated line of credit arrangement fees	27,044	29,553
Other debt issuance costs	107	159
Deferred charges	**148,693**	**52,098**

In 2010, new debt issuance costs recorded under "Deferred charges" totaled €141 million and amortization for the year amounted to €44 million.

Refinancing transactions are presented in Note 12.

NOTE 9 Shareholders' equity

9.1 Changes in capital stock

Par value at December 31, 2009: 4 euros Par value at December 31, 2010: 4 euros	Number of shares	Amount *(EUR thousands)*
Capital stock at January 1, 2010:	512,931,016	2,051,724
Shares issued under the Group Savings Plan on May 11, 2010	4,993,989	19,976
Shares issued in payment of dividends on June 30, 2010	12,861,368	51,446
Shares issued upon exercise of stock options on December 31, 2010	50,068	200
Capital stock at December 31, 2010:	530,836,441	2,123,346

At December 31, 2010, capital stock amounted to €2,123,346 thousand, represented by **530,836,441 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, 2009 before appropriation of 2009 net income:	13,802,929
Shares issued under the Group Savings Plan on May 11, 2010	142,807
Payment in 2010 of the 2009 dividend	(508,701)
Shares issued in payment of dividends on June30, 2010	366,693
Shares issued upon exercise of stock options on December 31, 2010	1,622
Other changes – adjustments to the revaluation reserve and untaxed provisions	2,371
Net income for 2010	1,176,909
Shareholders' equity at December 31, 2010 before appropriation of 2010 net income	14,984,630

9.3 Main changes in shareholders' equity

The main changes in capital stock and shareholders' equity in 2010 were as follows:

- **Stock dividend option: a total of 12,861,368 new shares were issued at a price of €28.58.** The issue gross proceeds amounted to €367,578 thousand (€366,693 thousand net after deducting the issue costs, net of tax, from the premium). Cash dividends paid during the year totaled €141,123 thousand.
- **Group Savings Plan: a total of 4,993,989 new shares were issued at a price of €28.70.** The issue gross proceeds amounted to €143,327 thousand (€142,807 thousand net after deducting the issue costs, net of tax, from the premium).
- **Stock option plans: a total of 50,068 shares were issued during the year at an average price of €32.40** upon exercise of stock options granted under the 2003, 2004 and 2008 plans. The gross and net issue proceeds amounted to €1,622 thousand and the issues were placed on record in December 2010.

As a result of these issues, **capital stock** increased by €71,622 thousand, the **legal reserve** by €7,162 thousand, and **additional paid-in capital** by €432,337 thousand.

Changes in **unappropriated retained earnings** during the year were as follows (in EUR thousands):

• At December 31, 2009 (before appropriation of 2009 net income):	2,388,142
Appropriation of net income (3rd resolution of the AGM of June 3, 2010):	
• Net income for the year	1,038,013
• Less: final dividend taking into account the actual number of own shares held	(508,701)
• At December 31, 2010 (before appropriation of 2010 net income):	2,917,454

9.4 Stock option plans

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

The 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 and 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 2008, 2009 and 2010 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. The 2009 and 2010 plans are exclusively performance stock option plans.

For options granted under the 2010 plan, the value used to calculate the 10% contribution sociale tax due by grantees employed by French companies in the Group is €4.32 per option.

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

	€4 par value shares	Average exercise price *(in EUR)*
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 or cancelled	(533,898)	43.63
Options outstanding at December 31, 2009 [(1)]	**28,663,342**	**41.23**
Options granted	1,144,730	35.19
Options exercised	(511,541)	32.74
Options forfeited	(547,883)	34.11
Options outstanding at December 31, 2010	**28,748,648**	**41.27**

(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, 2010:

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	
2001	36.37	1,874,182	11	–	–	1,874,182	Purchase
2002	21.28	1,202,152	23	–	–	1,202,152	Purchase
2003	32.26	2,873,941	35	–	–	2,873,941	Subscription
2004	39.39	4,012,816	47	–	–	4,012,816	Subscription
2005	41.34	4,066,120	59	–	–	4,066,120	Subscription
2006	52.52	4,306,454	71	–	–	4,306,454	Subscription
2007	64.72	–	83	64.72	3,917,673	3,917,673	Subscription
2008	25.88	–	95	25.88	3,871,120	3,871,120	See Note § 9.4
2009	36.34	–	107	36.34	1,479,460	1,479,460	See Note § 9.4
2010	35.19	–	119	35.19	1,144,730	1,144,730	See Note § 9.4
TOTAL	**–**	**18,335,665**	**–**	**–**	**10,412,983**	**28,748,648**	**–**

At December 31, 2010, 18,335,665 stock options were exercisable (at an average price of €40.29) and 10,412,983 options (average price €43.00) had not yet vested.

9.5 Performance share plans

Various performance share plans have been set up since 2009.

As of December 31, 2010, three such plans were outstanding:

- **A worldwide plan authorized by Saint-Gobain's Board of Directors on November 19, 2009** whereby eligible employees and officers of the 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 and to a performance criterion.
In all, **1,359,960** performance shares may vest (1,052,716 after taking into account estimated grantee resignations), 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 (potential number of shares to be delivered: 430,150 or 383,257 after taking into account estimated grantee resignations). 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 other countries, the vesting period will end on March 30, 2014 and the shares will be delivered on March 31, 2014 (potential number of shares to be delivered: 929,810 or 669,459 after taking into account estimated grantee resignations). No lock-up period will apply.

- **A performance share plan for certain eligible managers and senior executives of the Saint-Gobain Group in France and abroad authorized by the Board of Directors on November 19, 2009.** The eligibility criterion was based on the grantee's period of service with the Group and to a performance criterion.

In all, **622,790** performance shares may vest under the plan, as follows:
– for eligible Group managers and senior executives in France, the vesting period will end on March 29, 2012 and the shares will be delivered on March 30, 2012 (potential number of shares to be delivered: 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 managers and senior executives outside France, the vesting period will end on March 30, 2014 and the shares will be delivered on March 31, 2014 (potential number of shares to be delivered: 362,390). No lock-up period will apply.

- **A performance share plan for certain eligible managers and senior executives of the Saint-Gobain Group in France and abroad authorized by the Board of Directors on November 18, 2010.** The eligibility criterion was based on the grantee's period of service with the Group and to a performance criterion.

In all, **737,550** performance shares may vest (701,908 after taking into account estimated grantee resignations), as follows:
– for eligible Group managers and senior executives in France, the vesting period will end on March 29, 2013 and the shares will be delivered on March 30, 2013 (potential number of shares to be delivered: 325,060 or 314,442 after taking into account estimated grantee resignations). The vesting period will be followed by a two-year lock-up, such that the shares may not be sold until March 31, 2015 except in the case of the grantee's death or disability;
– for eligible Group managers and senior executives outside France, the vesting period will end on March 30, 2015 and the shares will be delivered on March 31, 2015 (potential number of shares to be delivered: 412,490 or 387,466 after taking into account estimated grantee resignations). No lock-up period will apply.

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

(in EUR thousands)	Number of rights
Number of performance share rights at December 31, 2008	**0**
- performance share rights granted in November 2009	1,982,750
- shares that vested during the period	0
- rights that expired or were forfeited during the period	0
Number of performance share rights at December 31, 2009	**1,982,750**
- performance share rights granted in November 2010	737,550
- shares that vested during the period	0
- rights that expired or were forfeited during the period	0
Number of performance share rights at December 31, 2010	**2,720,300**

The following table shows the expected dates when vested performance shares will be issued/delivered, except in the case of the grantee's death or disability or departure from the Group before the end of the vesting period:

Grant date	Number of rights at December 31, 2010	End of the vesting period March 2012	March 2013	March 2014	March 2015
November 19, 2009	1,359,960	430,150		929,810	
November 19, 2009	622,790	260,400		362,390	
November 18, 2010	737,550		325,060		412,490
TOTAL	**2,720,300**	**690,550**	**325,060**	**1,292,200**	**412,490**

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 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 less a 20% discount. The shares are subject to a five or ten-year lock-up, at the choice of employees. During the lock-up period the shares may be held directly or through the PEG corporate mutual fund. They may not be sold during this period except in the case of exceptional events.

In 2010, 4,993,989 shares with a par value of €4 were issued to employees under the Group Savings Plan at an average price of €28.70 (2009: 8,498,377 shares at an average price of €15.80).

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).This authorization was used in 2010 to issue 4,993,989 shares to Group Savings Plan members;
- 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 as follows:

- on November 19, 2009 to grant 1,982,750 performance shares and 1,479,460 stock options (see Note 9.4);
- on November 18, 2010 to grant 737,550 performance shares and 1,144,730 stock options (see Note 9.4);

After taking into account these grants, the Board of Directors may grant a further 9,628,137 potential shares (of which 2,270,575 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 **559,229,055.** 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 782,613,203.

At the **Annual General Meeting of June 3, 2010,** 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 (thirteenth resolution). Under this authorization, the Group may issue up to €512 million worth of stock (excluding premiums), representing 128 million 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, 2010, 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 2010 came to €7.9 million (2009: €10.1 million).

NOTE 11 Provisions

(in EUR thousands)	At January 1, 2010	Charge for the year	Write-backs of utilized provisions	Write-backs of surplus provisions	Other (transfers)	At December 31, 2010
Untaxed provisions						
Reinvested capital gains	6,427					6,427
Other	2,442	2,372	(1)			4,813
	8,869	2,372	(1)	0	0	11,240
Provisions for contingencies						
Provisions for taxes	98,302	3,432	(4,461)		1,330	98,603
Provisions for stock options	0					0
Provisions for other contingencies	2,657	1,306	(297)		(136)	3,530
	100,959	4,738	(4,758)	0	1,194	102,133
Provisions for charges						
Provisions for pensions and other post-employment benefit obligations (1)	72,821	17,005	(9,305)		(226)	80,295
Other provisions for charges	464	54	(8)		(10)	500
	73,285	17,059	(9,313)	0	(236)	80,795
Provisions for impairment						
Investments in subsidiaries and affiliates	631					631
Other investment securities	59,431	1,633	(5,876)			55,188
Doubtful receivables	0					0
Marketable securities	0	17				17
	60,062	1,650	(5,876)	0	0	55,836
Impact on operating income		17,013	(9,313)			
Impact on net financial income		1,650	(5,876)			
Impact on exceptional items		7,156	(4,759)			

(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 4.75% in 2010 and 5.00% in 2009.

NOTE 12 Debt and payables

Total debt and payables decreased by a net amount of €2,397 million to €13,046 million at December 31, 2010. Other borrowings decreased by €1,708 million, bond debt by €627 million and bank borrowings, tax and social charges payable and other payables by €62 million.

Maturities of debt and payables

(in EUR thousands)	Total	Due Within 1 year	Beyond 1 year
Bonds (1)	7,683,745	937,862	6,745,883
Bank borrowings (1) and (2)	206,261	46,261	160,000
Other borrowings (1) and (3)	5,073,006	4,594,865	478,141
Sub-total Debt	12,963,012	5,578,988	7,384,024
Tax and social charges payable	52,500	52,500	–
Other payables (3)	26,638	26,438	200
Deferred income	3,572	2,958	614
Total payables (4)	13,045,722	5,660,884	7,384,838
(1) New debt for the year Debt repaid during the year	3,850,492 6,201,858		
(2) Of which: – debt with original maturity of up to two years – debt with original maturity of more than two years	 51,261 155,000		
(3) Of which: – shareholders' loans – new loans from subsidiaries – loans from subsidiaries repaid during the year	 None 306,000 1,396,893		
(4) Of which debt due beyond 5 years	2,581,847		

Analysis of long- and short-term debt

(in EUR thousands)	2010	2009
Medium and long-term debt		
Long-term portion		
Due between January 1 and December 31		
- 2011		1,520,000
- 2012	1,255,000	1,250,000
- 2013	1,335,441	1,655,000
- 2014 and beyond	4,760,267	4,302,946
No fixed maturity	33,314	33,247
Total long- and medium-term debt excluding short-term portion	7,384,022	8,761,193
Short-term portion	1,687,026	2,098,274
Total	9,071,048	10,859,467
Short-term debt		
Euro commercial paper (in EUR)	–	–
Borrowings from Group entities	3,840,847	4,382,168
Bank overdrafts and other short-term borrowings	45,057	66,053
Other	6,060	6,690
Total	3,891,964	4,454,911
TOTAL LONG- AND SHORT-TERM DEBT	12,963,012	15,314,378

Long-term debt can be analyzed as follows by currency:

(in EUR thousands)	2010	2009
Euro	8,365,474	10,142,576
US dollars	5,070	–
Pounds sterling	700,504	678,932
Czech koruna	–	37,959
TOTAL	**9,071,048**	**10,859,467**

Debt issuance costs are amortized over the life of the debt, from the issue date. These costs are recorded in assets, under "Deferred charges" (see Note 8).

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, 2010, 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 2010

On March 17, 2010, Compagnie de Saint-Gobain redeemed a €400 million bond issue that had reached maturity.

On April 16, 2010, Compagnie de Saint-Gobain paid €990.4 million to Saint-Gobain Nederland to cover the redemption at maturity of a bond issue by Saint-Gobain Nederland, the proceeds of which had been transferred to Compagnie de Saint-Gobain.

On October 8, 2010, Compagnie de Saint-Gobain issued €750 million worth of 4.00% bonds due 2018. The issue proceeds were used to refinance €634 million worth of bonds due May 2013 (initial nominal amount €750 million, 6.00% coupon, amount refinanced €175 million), September 2013 (initial nominal amount €750 million, 7.25% coupon, amount refinanced €145 million) and July 2014 (initial nominal amount €1 billion, 8.25% coupon, amount refinanced €314 million). In addition, to optimize the investment of its liquid assets, Compagnie de Saint-Gobain bought back €323 million in 4.25% bonds from a €1.1 billion issue due May 2011.

These transactions extended and smoothed the Group's bond debt maturities by reducing the 2011, 2013 and 2014 maturities, while also bringing down average borrowing costs.

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, 2010, issuance under these programs was as follows:

Programs *(in millions of currency units)*	Currency	Issue period	Authorized program at December 31, 2010	Outstanding issues at December 31, 2010	Outstanding issues at December 31, 2009
Medium Term Notes	EUR	1 to 30 years	10,000 millions	6,201	6,120
US Commercial Paper	USD	up to 12 months	1,000 millions (*)	0	0
Euro Commercial Paper	USD	up to 12 months	1,000 millions (*)	0	0
Billets de trésorerie	EUR	up to 12 months	3,000 millions	0	0

(*) Equivalent to €748 million based on the exchange rate at 31 December 2010.

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.

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

- a €2.5 billion syndicated line of credit obtained in June 2009 and expiring in June 2012. The facility was renegotiated in April 2010 and extended by one year until June 2013. In addition, the amount of the facility was reduced to €2 billion in May 2010, then to €1 billion in December 2010;

The €1 billion facility agreement includes a covenant stipulating that the ratio of consolidated net debt to consolidated operating income excluding depreciation and amortization of property, plant and equipment and intangible assets, as measured annually at December 31, must at all times represent less than 3.75.
This ratio was complied with at December 31, 2010;

- a €3 billion syndicated line of credit obtained in December 2010. Expiring in December 2015, this facility was used to cancel the €2 billion line of credit expiring in November 2011 and to reduce the June 2009 facility from €2 billion to €1 billion as explained above.

Neither of these confirmed lines of credit was drawn down at December 31, 2010.

NOTE 13 Related party transactions

13.1 Transactions with related companies

(in EUR thousands)	Related companies (1)	Net amount concerning Other Investees (2)	Other companies	Net balance sheet amount at December 31, 2010
Balance sheet items				
Investments in subsidiaries and affiliates	12,368,591	266		12,368,857
Loans and advances to subsidiaries and affiliates	11,211,770			11,211,770
Other investment securities	144,918		138	145,056
Loans	467,615		179,306	646,921
Other receivables	2,265,171	14	22,549	2,287,734
Marketable securities	10,337		1,150,158	1,160,495
Cash and cash equivalents			369,495	369,495
Bonds			7,683,745	7,683,745
Bank borrowings			206,261	206,261
Other borrowings	5,064,341	2,437	6,228	5,073,006
Tax and social charges payable			52,500	52,500
Other payables	9,803		16,835	26,638
Income statement items				
Income from investments in subsidiaries and affiliates	954,111		(54)	954,057
Income from loans and other investments	605,390			605,390
Other interest income	5,941		48,317	54,258
Interest expense	78,096	13	500,476	578,585

(1) fully consolidated companies.
(2) companies that are not fully consolidated.

13.2 Transactions with other related parties

There are no material transactions with other related parties not entered into on arm's length terms.

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	55.31	78,404,824
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	153,800	99.91	3,200,000
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		**12,368,857**		
Cie de Saint-Gobain (treasury stock)	France	144,918	0.85	4,487,136
Miscellaneous French companies		139	–	–
Other investment securities		**145,057**		
TOTAL		**12,513,914**		

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)*	Net *(EUR k)*	Loans and advances granted by the Company *(EUR k)*	Guarantees given by the Company *(EUR k)*	2010 net sales	2010 net income (loss)	Dividends received in 2010 *(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 2,725,734	100.00	5,329,623	5,329,623	–		EUR k 544	EUR k 1,535,216	300,817
Partidis 18, avenue d'Alsace 92400 Courbevoie	EUR k 1,193,509	EUR k 608,672	100.00	2,065,919	2,065,919	1,070,208		EUR k 5,078	EUR k 115,722	361,575
S.G. Matériaux de Construction 18, avenue d'Alsace 92400 Courbevoie	EUR k 1,310,221	EUR k (397,400)	100.00	1,723,712	1,723,712	4,667,890		EUR k 56,748	EUR k (153,775)	–
Vertec 18, avenue d'Alsace 92400 Courbevoie	EUR k 188,408	EUR k 941,323	100.00	891,039	891,039	–		EUR k –	EUR k 200,965	100,092
Saint-Gobain Benelux Bouleverd de la Plaine 5 B 1050 Bruxelles	EUR k 812,345	EUR k 21,097	100.00	812,344	812,344	–		EUR k –	EUR k 33,317	–
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 1,164,998	EUR k 681	681
S. G. Glass Benelux SA Rue des Glaces Nationales, 169 B-5060 Sambreville	EUR k 70,900	EUR k 72,521	88.69	160,880	160,880	–		EUR k 95,156	EUR k (20,910)	–
S. G. Isover G+H AG 1 Burgermeister-Grünzweig Strasse D-67059 Ludwigshafen	EUR k 82,000	EUR k 11,291	99.91	153,800	153,800	–		EUR k 355,122	EUR k 34,279	34,279
S. G. 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 4,865	EUR k 11,468	11,468
S. G. 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 399,250	EUR k 22,715	25,592
S G Do Brasil 482, avenida Santa Marina Agua Branca 05036-903 São Paulo-SP (Brésil)	BRL k 1,417,564	BRL k –	55.31	220,001	220,001	–		BRL k 2,118,537	BRL k 223,790	76,250
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 (16,408)	(18,494)
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 (3,606)	(3,606)
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 480,820	BRL k 15,313	13,552

(1) The amount shown for subsidiaries of the German branch corresponds to 2010 profit or loss transferred under the group relief system.

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)*	2010 net sales	2010 net income (loss)	Dividends received in 2010 *(EUR k)*
2 - AFFILIATES 10 to 50%-owned by Compagnie de Saint-Gobain										(1)
S. G. Cristaleria Edificio Ederra Centro Azca Paseo de la Castellana 77 28046 Madrid	EUR k 134,512	EUR k 642,176	16.35	211,220	211,220	398,101		EUR k 476,064	EUR k 89,913	0
Saint-Gobain Emballage 18, avenue d'Alsace 92400 Courbevoie	EUR k 42,069	EUR k 430,834	20.52	61,553	61,553	30,221		EUR k 642,820	EUR k 146,559	31,636
SEPR 18, avenue d'Alsace 92400 Courbevoie	EUR k 63,361	EUR k 6,343	25.73	53,310	53,310	7,282		EUR k 171,264	EUR k (5,407)	9,864
OTHER COMPANIES										
Subsidiaries (over 50%-owned)										
Total French companies				3,900	3,900	85,905				1,242
Total foreign companies				14,045	14,045		500,848			95
Affiliates (10% to 50%-owned)										
Total French companies										–
Total foreign companies				648	648					
Other investments				**31,072**	**30,899**	**830,493**				**9,023**
Own shares				**200,026**	**144,918**					
TOTAL				**12,569,732**	**12,513,914**	**7,090,100**	**500,848**			**954,066**

(1) The amount shown for subsidiaries of the German branch corresponds to 2010 profit or loss transferred under the group relief system.

NOTE 16 Off-balance sheet commitments

Off-balance sheet commitments given on behalf of consolidated companies

Off-balance sheet commitments given on behalf of consolidated companies	Date	Counterparty	2010 amount *(EUR k)*
Commitment related to the fine levied on the Flat Glass business by the European Commission (see Note 19 Litigation § 19.2)	Indefinite	BNP Paribas/ Société Générale/ Calyon	981,188
CertainTeed Corporation receivables securitization program	Indefinite	Citibank	213,008
Guarantee given on behalf of Saint-Gobain Isover (electricity purchases)	December 31, 2025	Exeltium	36,000
Commitment to employees of the German companies in the Group (early-retirement plan)	December 31, 2015	Sparkasse Aachen	12,256
Commitments given other members of economic interest groupings (GIE)	Indefinite	Other GIE members	5,656
Employee-related commitments in Germany (guarantee fund)	2011	Eigene Bursch	4,017
Other commitments given	Multiple	Multiple	97

Financing-related off-balance sheet commitments

Financing-related off-balance sheet commitments given	Date	Counterparty	2010 amount *(EUR k)*
Guarantee for Saint-Gobain Nederland bond issue	May 25, 2014	BNP Paribas	500,848
Liquidity agreement guarantee	January 2011	Exane	1,244
Euro equivalent of forward foreign currency sale contracts	Multiple	Multiple	673
Euro equivalent of foreign currencies payable under currency swaps	Multiple	Multiple	1,553

Financing-related off-balance sheet commitments received	Date	Counterparty	2010 amount *(EUR k)*
Liquidity agreement commitment received	January 2011	Exane	1,284
Euro equivalent of forward foreign currency purchase contracts	Multiple	Multiple	674
Euro equivalent of foreign currencies receivable under currency swaps	Multiple	Multiple	1,547
2009-2013 undrawn line of credit	June 15, 2013	Calyon	1,000,000
2010-2015 undrawn line of credit	December 8, 2015	Calyon	3,000,000

Financing-related off-balance sheet commitments given and received	Date	Counterparty	2010 amount *(EUR k)*
Interest rate swaps Variable rate borrower/Fixed rate lender	Multiple	Multiple	1,250,000
Interest rate swaps Fixed rate borrower/Variable rate lender	Multiple	Multiple	1,250,000
Interest rate swaps Variable rate borrower/Fixed rate lender	Multiple	Multiple	155,000
Commodity swaps Fixed rate buyer/Variable rate seller	Multiple	Multiple	55,261
Commodity swaps Variable rate buyer/Fixed rate seller	Multiple	Multiple	55,261

Tax reassessments are covered by provisions recorded in the balance sheet. In exchange for a stay of payment of the additional tax claimed, Compagnie de Saint-Gobain has obtained tax bonds from its banks in the amount of €36,025 thousand. In addition, the tax administration has been granted liens on assets in the amount of €36,422 thousand.

NOTE 17 Fees paid to the statutory auditors

The total fees (excluding VAT) paid and payable to the auditors for 2010, as reflected in the income statement, include:

- statutory audit fees of €1,311 thousand;
- fees for audit-related advice and services of €330 thousand.

NOTE 18 Employees

Number of employees

	2010	2009
Paris Head Office (Les Miroirs)		
Managers	172	166
Supervisors	45	51
Administrative staff	7	7
Total	224	224
Of which employees under fixed-term contracts	13	12

	2010	2009
German branch (Aix-la-Chapelle)		
Managers	61	55
Supervisors	118	108
Administrative staff	1	1
Total	180	164
Of which employees under fixed-term contracts	6	12

Statutory training entitlement

Unused vested training entitlements under Act no. 2004.391 of March 4, 2004 relating to lifelong learning amounted to 17,755 hours at December 31, 2010, representing an estimated cost of €362 thousand.

Management compensation

Compensation received by the Group's directors and officers directly and indirectly from Group companies within and outside France totaled €10.9 million in 2010 (2009: €10.2 million), including variable bonuses of €3.2 million (2009: €2.6 million). No termination benefits were paid in 2010 or 2009.

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 €42.9 million at December 31, 2010.

Attendance fees paid to directors for 2010 totaled €0.8 million (2009: €0.8 million). Other compensation paid to directors – corresponding to pension benefits – amounted to €0.3 million in 2010 (2009: €0).

NOTE 19 Litigation

19.1 Asbestos-related litigation

Asbestos-related litigation in France

In France, further individual lawsuits were filed in 2010 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 722 such lawsuits have been issued against the two companies since 1997.

At December 31, 2010, 642 of these 722 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 80 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2010, the merits of 17 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 except two, the Social Security authorities were ordered to pay compensation for the victims for procedural reasons (non-opposability). A further 33 of these 80 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 30 remaining lawsuits, at December 31, 2010 the procedures relating to the merits of 28 cases were at different stages, with 8 being investigated by the French Social Security authorities and 20 pending before the Social Security courts. The final two suits have been withdrawn by the plaintiffs who can ask for them to be re- activated at any time within a two-year period.

In addition, as of December 31, 2010, 140 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, 93 lawsuits had been completed. In 29 of these cases, the employer was held liable for inexcusable fault.

For the 47 suits outstanding at December 31, 2010, arguments were being prepared by the French Social Security authorities in six cases, 34 were being investigated – including 26 pending before the Social Security courts, 6 before the Courts of Appeal and 2 before the Court of Cassation– and 7 had been completed in terms of liability but not in terms of quantum, of which 6 pending before the Courts of Appeal and 1 before the Social Security court.

Asbestos-related litigation in the United States

In the United States, several companies that once manufactured products containing asbestos such as asbestos-cement pipes, roofing products, specialized insulation or gaskets, are facing legal action from persons other than their employees or former employees. These claims for compensatory – and in many cases punitive – damages are based on alleged exposure to the products, although in many instances the claimants cannot demonstrate any specific exposure to one or more products, or any specific illness or physical disability. The vast majority of these claims are made simultaneously against many other non-Group entities that have been manufacturers, distributors, installers or users of products containing asbestos.

Developments in 2010

About 5,000 new claims were filed against CertainTeed in 2010, compared to about 4,000 in 2009, 5,000 in 2008, 6,000 in 2007 and 7,000 in 2006. Over the last five years the number of new claims has remained relatively stable.

Almost all of the claims against CertainTeed are settled out of court. Approximately 13,000 of the pending claims were resolved in 2010, compared to 8,000 in 2009, in 2008 and in 2007, and compared to 12,000 in 2006. Taking into account the 64,000 outstanding claims at the end of 2009 and the new claims having arisen during the year, as well as claims settled, some 56,000 claims were outstanding at December 31, 2010. 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 accounts

The Group recorded a €97 million charge in 2010 to cover future developments in relation to claims involving CertainTeed This amount is higher than the €75 million recorded in 2009 and 2008, and relatively close to the €90 million recorded in 2007 and the €95 million recorded in 2006. At December 31, 2010, the Group reserve for asbestos-related claims against CertainTeed in the United States amounted to €375 million (USD 501 million), compared with €347 million, (USD 500 million) at December 31, 2009, €361 million (USD 502 million) at December 31, 2008, €321 million (USD 473 million) at December 31, 2007, and €342 million (USD 451 million) at December 31, 2006.

Cash flow impact

Compensation paid in respect of these claims against CertainTeed, including claims settled prior to 2010 but only paid out in 2010, and those fully resolved and paid in 2010, and compensation paid (net of insurance) in 2010 by other Group businesses in connection with asbestos-related litigation, amounted to €78 million (USD 103 million), compared to €55 million (USD 77 million) in 2009, €48 million (USD 71 million) in 2008, €53 million (USD 73 million) in 2007, and €67 million (USD 84 million) in 2006. The increase in the total amount of compensation paid in 2010 compared to the amount paid in 2009 is mainly due to a higher number of resolved claims and timing issues that delayed some settlement payments from late 2009 to early 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 brought by former employees (or persons claiming through them) were outstanding at December 31, 2010, and they do not currently represent a material risk for the companies concerned.

19.2 Ruling by the European Commission following the investigation into the automotive glass industries

In the November 12, 2008 decision concerning its investigation into automotive glass manufacturers, the European Commission held that Saint-Gobain Glass France, Saint-Gobain Sekurit France and Saint-Gobain Sekurit Deutschland Gmbh had violated Article 81 of the Treaty of Rome and fined them €896 million. Compagnie de Saint-Gobain was held jointly and severally liable for the payment of this amount.

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

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

The provision set aside to cover the fine, the late interest, the cost of the above bond and the related legal costs amounted to €1,029 million at December 31, 2010. 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 General Court of the European Union in Luxembourg.

NOTE 20 Subsequent events

No material events have occurred since the balance sheet date.

STATUTORY AUDITORS' REPORT

ON THE FINANCIAL STATEMENTS

Year ended December 31, 2010

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, 2010, 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 consolidated 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, 2010, and of the results of its operations for the year then ended in accordance with French accounting principles.

II - Justification of our assessments

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

As described in Note 1 to the financial statements relating to accounting principles and methods, the Company carries out impairment tests on a yearly basis for its financial investments and investments in subsidiaries and affiliates. Based on the information available at the time of our audit, we assessed the approach used by the Company and ensured that the estimates made by the Company at December 31, 2010 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 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 favor, 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 24, 2011

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG Audit
Department of KPMG S.A.

Rémi DIDIER	Jean-Christophe GEORGHIOU	Jean-Paul VELLUTINI	Philippe GRANDCLERC

MANAGEMENT REPORT

FINANCIAL STATEMENTS OF COMPAGNIE DE SAINT-GOBAIN*

Compagnie de Saint-Gobain ended 2010 with net income of €1,176.9 million (2009: €1,038.0 million), consisting mainly of dividends from subsidiaries and affiliates in the amount of €954.1 million (2009: €755.5 million).

Shareholders' equity before appropriation of income for the year totaled €14,984.6 million at December 31, 2010 (December 31, 2009: €13,802.9 million).

Significant events of the year

Share issues

- On May 11, capital stock was increased by €142.8 million following the issue of 4,993,989 shares to employees at a price of €28.70 through the Group Savings Plan.
- On June 30, capital stock was increased by €366.7 million following the issue of 12,861,368 shares at a price of €28.58 to shareholders who exercised their dividend reinvestment option (dividend of €1 per share).

Financing programs

As part of the strategy to refinance and extend the average life of Group debt and reduce borrowing costs, during 2010 Compagnie de Saint-Gobain carried out the following financing transactions:
- on March 17, Compagnie de Saint-Gobain redeemed a €400 million bond issue that had reached maturity;
- on April 15, the 3-year syndicated line of credit set up in June 2009 was extended by one year until June 15, 2013 at a lower rate of interest, and on May 12, the facility was reduced to €2 billion;
- on April 16, Saint-Gobain Nederland redeemed at maturity a €1 billion bond issue, the proceeds of which had been transferred to Compagnie de Saint-Gobain;
- on October 8, 2010, Compagnie de Saint-Gobain issued €750 million worth of 4.00% bonds due 2018. The issue proceeds were used to refinance €634 million worth of bonds due May 2013 (initial nominal amount €750 million, 6.00% coupon, amount refinanced €175 million), September 2013 (initial nominal amount €750 million, 7.25% coupon, amount refinanced €145 million) and July 2014 (initial nominal amount €1 billion, 8.25% coupon, amount refinanced €314 million). In addition, to optimize the investment of its liquid assets, Compagnie de Saint-Gobain bought back €323 million in 4.25% bonds from a €1.1 billion issue due May 2011;
- on December 8, a €3 billion five-year syndicated line of credit was obtained. This facility was used to cancel the €2 billion line of credit expiring in November 2011 and, on December 22, to reduce the June 2009 facility expiring June 2013 from €2 billion to €1 billion as explained above.

These transactions extended and smoothed the Company's bond debt maturities by reducing the 2011, 2013 and 2014 maturities, while also bringing down average borrowing costs.

Other compulsory disclosures

Trade accounts payable at December 31, 2010 and 2009 by due date are as follows (disclosure made in application of Article D.441-4):

(in EUR thousands)	2010	2009
Total trade accounts payable	9,353	10,200
Of which past due amounts	*656*	*1,203*
Of which due in January and February	*8,671*	*8,992*
Of which due in March and beyond	*26*	*5*

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)	2010	2009	2008	2007	2006
1 - Capital stock at year-end					
Capital stock	2,123,346	2,051,724	1,530,288	1,496,865	1,473,679
Number of common shares outstanding	530,836,441	512,931,016	382,571,985	374,216,152	368,419,723
2 - Results of operations					
Net sales	176,128	171,655	199,301	191,669	180,586
Income before tax, depreciation, amortization and provisions	1,056,117	908,322	1,119,557	591,916	440,209
Income tax	160,637	150,254	160,471	260,296	149,994
Net income	1,176,909	1,038,013	1,263,527	871,150	849,187
Total dividend	(1) 605,036	(2) 508,701	(3) 486,009	(4) 766,732	(5) 621,062
3 - Earnings per share (in EUR)					
Earnings per share before tax, depreciation, amortization and provisions	1.99	1.77	2.93	1.58	1.19
Net earnings per share	2.22	2.02	3.30	2.33	2.30
Net dividend per share	1.15	1.00	1.00	2.05	1.70
4 - Employee information (6)					
Average number of employees during the year	224	224	228	232	236
Total payroll for the year	26,796	21,302	26,082	28,682	26,663
Total benefits for the year	15,145	13,569	16,081	16,258	15,339

(1) Based on 530,836,441 shares outstanding (capital stock at December 31, 2010) less 4,718,153 shares held in treasury at January 31, 2011.

(2) Based on 512,931,016 shares outstanding (capital stock at December 31, 2009) less 4,230,266 treasury shares held on the dividend payment date, for a net total of 508,700,750 shares.

(3) 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.

(4) 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.

(5) 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.

(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: €263.2 million. Employees: 1,110. These figures include Eurofloat (float glass production).
Subsidiaries:
- Saint-Gobain Produits Industriels (SGPI), M.O. Pays de Loire, Les Vitrages de Saint-Gobain Normandie, M.O. Armorique, Miroiterie du Rhin, Société Verrière Française (SVF), Sovedys, Sivaq, SGGS Menuisiers Industriels, SG Solar Systems FR, SG Glass Solutions Paris-Normandie, SG Glass Solutions Sud-Ouest, Charles André, Société Verrière de l'Atlantique (SVA), Le Vitrage du Midi (LVM), Gobba Vitrage, Vitrages Isolants d'Auvergne, Alp'Verre, Verrerie Aurys, Pierre Pradel, Wehr Miroiterie, Techniverre. Construction glass products manufacturing and distribution.
Employees of the subsidiaries: 2,858.
- Eurokera (50%). Employees: 132. Keraglass (50%). Employees: 96. Glass ceramic hobs.
- Saint-Gobain Sovis: tempered glass for household appliances, industrial and scientific optics, anti-radiation glass. Employees: 107.
- Verrerie de Saint-Just: decorative glass. Employees: 41.
- Saint-Gobain Sully: flat glass for the train and aircraft industries. Employees: 467
- Saint-Gobain Glass Logistics: transport.
- Saint-Gobain Recherche (34.5% owned by SG Glass and wholly owned by the Group): glass and building materials research center. Employees: 448.
- Samin: quarry operator. Employees: 124.

Saint-Gobain Sekurit France: automotive glass products. Sales: €210.5 million. Employees: 805. These figures include those of Société Verrière d'Encapsulation: encapsulated automotive glass. Subsidiary: Saint-Gobain Autover: automotive glass products manufacturing and distribution. Sales: €32.1 million. Employees: 89.

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: €135.8 million. Employees: 806.
Subsidiaries:
- Savoie Réfractaires: special refractories.
Sales: €37.3 million. Employees: 174.
- Saint-Gobain Cristaux et Détecteurs: optical crystals and artificial monocrystals for chemical analyses.
Sales: €22.2 million. Employees: 136.
- 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: €12.5 million. Employees: 64.
- Saint-Gobain Matériaux Céramiques: seeded gel abrasives.
- Saint-Gobain Centre de Recherche et d'Etudes Européennes: European ceramics research center. Employees: 209.
- Valoref SA: recycling.

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: 353.

Saint-Gobain Abrasifs (France): coated abrasives, grinding wheels and superabrasives. Sales: €152.9 million. Employees: 598.

Saint-Gobain Isover: glass wool and rock wool insulation products. Sales: €335.8 million. Employees: 896.
Subsidiaries:
- Saint-Gobain Eurocoustic: rock wool insulation products and roof tiles. Sales: €57.4 million. Employees: 175.
- Saint-Gobain Ecophon SA: acoustic ceilings.
Sales: €16.2 million. Employees: 26.
- Plafométal: metal ceilings. Sales: €28.4 million. Employees: 100.

Placoplatre: plaster, plasterboard, insulation products and ceiling tiles. Sales: €560.5 million. Employees: 1,656.

Saint-Gobain Matériaux de Construction: holding company. Subsidiary: Saint-Gobain Weber: industrial mortars, with operations in 42 countries.
Sales: €1,814.7 million. Employees: 7,880. 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: €967.8 million. Employees: 2,810. Subsidiary: Saint-Gobain Seva: industrial equipment, glass molds, fiberglass insulating plates, door fasteners.
Sales: €50.1 million. Employees: 293.

Partidis: building materials distribution.
Sales: €8.3 billion. Employees: 34,599. 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 (44 platforms in France, 18 in Spain and 1 in Italy); - 1,822 sales outlets (1,724 in France, 83 in Spain, 12 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) and Construmega-Megacenter (Brazil). 183 outlets.

Saint-Gobain Emballage: glass containers (bottles and industrial jars). Sales: €639.9 million. Employees: 1,887. Subsidiaries:
- VOA Verrerie d'Albi: glass containers (bottles). Sales: €97.5 million. Employees: 323.
- Saga Décor: decoration of bottles and jars. Sales: €19.4 million. Employees: 129.

Spafi: holding company.

Vertec: holding company.

CENTRAL AND NORTHERN EUROPE

Germany

Saint-Gobain Glass Deutschland GmbH: flat glass and flat glass products. Sales: €419.2 million. Employees: 958.

Saint-Gobain Deutsche Glas GmbH: holding company controlling various companies active in construction glass products manufacturing and distribution. Sales (including subsidiaries): €295.9 million. Employees (including subsidiaries): 1,599.

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: €241.5 million. Employees: 1,348. These figures include those of Faba Autoglas Technik KG: laminated and tempered glass extrusion.

SG Autover Deutschland: replacement glass.
Sales: €62.6 million. Employees: 168.

Avancis GmbH & CO KG: photovoltaic modules.
Employees: 225.

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: €67.3 million. Employees: 314; Saint-Gobain Performance Plastics Isofluor GmbH: fluoropolymer pipes. Sales: €8.1 million. Employees: 87.
- Saint-Gobain IndustrieKeramik Düsseldorf: refractory products. Sales: €13.1 million. Employees: 85.
- Saint-Gobain IndustrieKeramik Roedental: high-performance refractory products. Sales: €68.3 million. Employees: 643.
- Saint-Gobain Performance Plastics Cologne. Sales: €7.1 million. Employees: 11.

Saint-Gobain Schleifmittel GmbH: industrial superabrasives and grinding wheels. Sales: €141.1 million. Employees: 767.

Saint-Gobain Isover G + H Aktiengesellschaft: mineral fibers and foams for thermal and acoustic insulation and fireproofing. Sales: €355.1 million. Employees: 1,197. These figures include Superglass Dammstoffe GmbH: insulating materials distribution.

Rigips GmbH: plaster, plasterboard, insulation products and ceiling tiles. Sales: €248.1 million. Employees: 752.

Saint-Gobain PAM Deutschland GmbH: pipe systems for the building industry. Holding company.
Sales: €142.4 million. Employees: 384. Subsidiary: Saint-Gobain HES GmbH: ductile cast-iron pipes.
Sales: €32.3 million. Employees: 33.

Saint-Gobain Building Distribution Deutschland GmbH: building materials distribution (248 outlets).
Sales: €1.75 billion. Employees: 5,350.

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: €347.9 million. Employees: 1,418. These figures include those of Westerwald Silikatindustrie, Ruhrglas and Süddeutsche Altglas GmbH. Subsidiary: GPS Glas Produktions Service: machines for the glass containers industry.
Sales: €26.6 million. Employees: 82.

Austria

Eckelt Glas GmbH: flat glass products. Sales: €43.9 million. Employees: 264.

Glas Ziegler: Sales: €22.2 million. Employees: 110.

Saint-Gobain Hornstein Glastextil GmbH: paintable glass fabrics. Sales: €16.9 million. Employees: 74.

Saint-Gobain Isover Austria AG: insulating materials. Sales: €45.2 million. Employees: 171.

Rigips Austria GmbH: plaster, plasterboard, insulation products and ceiling tiles. Sales: €64.8 million. Employees: 256.

Belgium

Saint-Gobain Glass Benelux SA: flat glass and flat glass products. Sales: €95.9 million. Employees: 340. Subsidiaries: Hanin Miroiterie, Techniver, Saint-Gobain Glass Solutions Belgium. Employees of subsidiaries: 478.

Saint-Gobain Glass Exprover: export company of the Flat Glass Division.

Saint-Gobain Sekurit Benelux SA: automotive glass products. Sales: €53.5 million. Employees: 275. Subsidiary: Saint-Gobain Autover Distribution SA. Employees: 96.

Saint-Gobain Autover: replacement glass. Sales: €10.1 million. Employees: 19.

Saint-Gobain Abrasives NV. Sales: €10.8 million. Employees: 19.

Saint-Gobain Matériaux Céramiques Benelux SA.: silicon carbide and corundum for the refractory and abrasives industries. Sales: €27.9 million. Employees: 24.

Saint-Gobain Performance Plastics Chaineux SA et Saint-Gobain Performance Plastics Kontich NV: high-performance plastics. Sales: €36.1 million. Employees: 190.

Saint-Gobain Construction Products Belgium NV: plaster, plasterboard and insulation products. Sales: €130.9 million. Employees: 209.

Saint-Gobain Pipe Systems Belgium. Sales: €33.4 million. Employees: 26.

Luxembourg

Saint-Gobain Abrasives SA (Luxembourg): diamond-tipped tools, disks and drills, asphalt cutters for the construction and civil engineering industries. Sales: €30.6 million. Employees: 109.

Saint-Gobain Solar Systems SA Luxembourg: solar solutions. Employees: 44.

Netherlands

Sas Van Gent Glasfabriek BV: reflective glass, enameled glass and tempered glass. Sales: €13.4 million. Employees: 90.

Koninklijke Saint-Gobain Glass NV: construction glass products manufacturing and distribution. Sales: €102.2 million. Employees (including subsidiaries): 475.

Saint-Gobain Autover International BV: replacement automotive glass distribution. Sales: €31.9 million. Employees: 35.

Saint-Gobain Abrasives Nederland: holding company. Subsidiary: Saint-Gobain Abrasives BV: thin grinding wheels and coated abrasives. Sales: €81 million. Employees: 250.

Saint-Gobain Isover Benelux: plaster, plasterboard and insulation products. Sales: €123.5 million. Employees: 339.

Saint-Gobain Isover Renforcement Glass Mat: Sales: €17 million. Employees: 68.

Saint-Gobain Ecophon BV: acoustic ceilings. Employees: 19.

Saint-Gobain Cultilène BV: glass wool and rock wool products for hydroponic (soil-less) cultivation. Sales: €31.2 million. Employees: 50.

Saint-Gobain The Netherlands BV: building materials distribution in the Netherlands (48 outlets). Sales: €366.6 million. Employees: 1,070.

Galvano Groothandel BV: plumbing and heating supplies distribution. Sales: €63.6 million. Employees: 143.

Van Keulen: interior solutions and fitted kitchens. Sales: €23.4 million. Employees: 74

Internationale Maatschappij Voor Het Beheer van Glasmaatschappijen BV (SGT): holding company.

Saint-Gobain Nederland: finance company.

Denmark

€1 = DKK 7.447

Saint-Gobain Glass Nordic A/S: insulating and tempered glass. Sales: DKK 209.4 million. Employees: 173.

Saint-Gobain Isover A/S: insulation products. Sales: DKK 319 million. Employees: 197.

Saint-Gobain Ecophon A/S: acoustic products. Sales: DKK 86.1 million. Employees: 21.

Gyproc A/S: plasterboard and ceiling tiles. Sales: DKK 260.4 million. Employees: 139.

Finland

Saint-Gobain Sekurit Finland Oy: automotive glass products. Sales: €15.3 million. Employees: 96.

Saint-Gobain Autover Finland Oy: replacement glass. Employees: 15

Finnglass Oy and Verinvest Oy: construction glass products manufacturing and distribution. Employees: 38.

Saint-Gobain Construction Products Finland: plaster, insulation products, acoustic products. Sales: €112.3 million. Employees: 381.

Saint-Gobain Pipe Systems Oy: pipe systems. Sales: €38.1 million. Employees: 33.

Norway

€1 = NOK 8.007

Saint-Gobain Böckmann A/S: insulating glass. Sales: NOK 413.8 million. Employees: 324.

Saint-Gobain Böckmann (Bilglas) A/S: replacement glass. Sales: NOK 115.6 million. Employees: 69.

Saint-Gobain Ceramic Materials A/S: silicon carbide products. Sales: NOK 745.7 million. Employees: 288.

Gyproc A/S: plaster and plasterboard. Sales: NOK 228.9 million. Employees: 69.

Saint-Gobain Vann Avlop: pipe distribution. Sales: NOK 87.9 million. Employees: 8.

Optimera A/S: building materials distribution (75 outlets). Sales: NOK 4.9 billion. Employees: 2,173.

Sweden

€1 = SEK 9.548

Saint-Gobain Emmaboda Glas AB: insulating and tempered glass. Sales: SEK 349.5 million. Employees: 194.

Saint-Gobain Sekurit Scandinavia AB: tempered and laminated automotive glass. Sales: SEK 482.5 million. Employees: 142.

Saint-Gobain Autover Direktglas AB: replacement glass. Sales: SEK 181.3 million. Employees: 65.

Saint-Gobain Abrasives AB: abrasives. Sales: SEK 166.8 million. Employees: 27.

Gyproc AB: plaster and plasterboard. Sales: SEK 373.4 million. Employees: 103.

Scanpac: plaster. Sales: SEK 215.9 million. Employees: 48.

Saint-Gobain Isover AB: insulation products. Sales: SEK 891 million. Employees: 377.

Saint-Gobain Ecophon AB: acoustic ceilings. Sales: SEK 1.14 billion. Employees: 386.

Saint-Gobain Distribution Nordic AB: plumbing and heating supplies distribution under the Dahl banner in Sweden, Norway, Denmark, Finland, Romania and Estonia (314 outlets). Sales: SEK 23.3 billion. Employees: 4,959.

Estonia

€1 = EEK 15.647

Saint-Gobain Sekurit Eesti A/S: replacement windscreens. Sales: EEK 510.1 million. Employees: 254.

AS Baltiklaas: construction glass products manufacturing and distribution. Sales: EEK 245.9 million. Employees: 145.

Saint-Gobain Ehitustooted Eesti A/S: insulation products and plasterboard. Sales: EEK 155.7 million. Employees: 15.

Optimera Estonia: building materials distribution (16 outlets). Sales: EEK 834.5 million. Employees: 455.

Latvia

€1 = LVL 0.709

SIA-Saint-Gobain Isover: insulation products and plasterboard. Employees: 13.

Lithuania

€1 = LTL 3.453

Saint-Gobain Glass Lietuva: replacement glass. Employees: 16.

UAB Saint-Gobain Statybos Gaminiai: insulation products and plasterboard. Employees: 15.

EASTERN EUROPE

Bulgaria

€1 = BGL 1.956

Saint-Gobain Construction Product Eood: plaster, plasterboard and insulation products. Sales: BGL 9.4 million. Employees: 24.

Saint-Gobain Weber Bulgaria Eood: Sales: BGL 14.3 million. Employees: 75.

Hungary

€1 = HUF 275.355

Saint-Gobain Construction Product Hungaria: plaster, plasterboard and insulation products. Sales: HUF 6.2 billion. Employees: 99.

Saint-Gobain Distribution of Construction Materials Hungary: building materials distribution (28 outlets). Sales: HUF 11.6 billion. Employees: 340.

Poland

€1 = PLN 3.995

Saint-Gobain Glass Polska Sp Zoo: flat glass and photovoltaic glass. Sales: PLN 544.7 million. Employees: 606. Subsidiaries: Glaspol Sp Zoo: construction glass and furniture glass products manufacturing and distribution. Sales: PLN 276.5 million. Employees: 692. Saint-Gobain Euroveder Polska: glass products for household appliances, photovoltaic glass. Sales: PLN 79.3 million. Employees: 245.

Saint-Gobain Sekurit Hanglas Polska Sp Zoo: automotive and other transportation glass. Sales: PLN 648 million. Employees: 1,427.

Saint-Gobain Velimat Polska Sp Zoo: bonded fiberglass. Sales: PLN 52 million. Employees: 106.

Saint-Gobain Abrasives Sp Zoo: abrasive grinding wheels. Sales: PLN 308.2 million. Employees: 799.

Saint-Gobain Construction Products Polska: plaster, plasterboard, insulation products and ceiling tiles. Sales: PLN 475 million. Employees: 525.

Saint-Gobain Construction Products Polska Pipes: pipe distribution. Sales: PLN 95.4 million. Employees: 34.

Saint-Gobain Dystrybucja Budowlana Sp Zoo: building materials distribution (119 outlets). Sales: PLN 1 billion. Employees: 1,398.

Czech Republic

€1 = CZK 25.296

Saint-Gobain Sekurit CR Spol S.R.O.: laminated glass for the auto industry. Sales: CZK 1.5 billion. Employees: 534.

Saint-Gobain Vertex S.R.O.: Sales: CZK 4.8 billion. Employees (including subsidiaries): 1,395.

Saint-Gobain Abrasives S.R.O.: abrasives distribution. Employees: 33.

Rigips S.R.O.: plaster, plasterboard, insulation products and ceiling tiles. Sales: CZK 623.5 million. Employees: 110.

Saint-Gobain Isover Cz S.R.O: rock wool insulating materials. Sales: CZK 1.8 billion. Employees: 343.

Saint-Gobain PAM Cz S.R.O: foundry. Sales: CZK 625.3 million. Employees: 141.

Saint-Gobain Building Distribution CZ, AS.: building material, tile and bathroom fittings distribution (60 outlets). Sales: CZK 3 billion. Employees: 740.

Romania

€1 = RON 4.211

Saint-Gobain Glass Romania SRL: flat glass.
Sales: RON 272.1 million. Employees: 241.

Saint-Gobain Construction Products Romania SRL: plaster, plasterboard and rock wool.
Sales: RON 201.5 million. Employees: 384.

SG Conducte SRL: pipe distribution.
Sales: RON 14.4 million. Employees: 10.

Slovakia

€1 = SKK 30.126

Nitrasklo A. S et Venisklo Spol S.R.O: construction glass products manufacturing and distribution.
Sales: SKK 415.5 million. Employees: 108.

Saint-Gobain Construction Products Slovakia: plaster, plasterboard, insulation products and ceiling tiles.
Sales: SKK 898.7 million. Employees: 123.

W.A.W. Spol S.R.O: tile and bathroom fittings distribution (12 outlets). Sales: SKK 248.3 million. Employees: 85.

RUSSIA AND UKRAINE

Russia

€1 = RUB 40.284

Saint-Gobain Construction Products Russia (87.4%): plaster, plasterboard and insulation products.
Sales: RUB 3.5 billion. Employees: 443.

Kavminsteklo Zao (93.6%): glass containers.
Sales: RUB 1.94 billion. Employees: 717.

Kamyshinsky Steklotarny (95.5%): glass containers.
Sales: RUB 1.33 billion. Employees: 753.

Ukraine

€1 = UAH 10.582

Saint-Gobain Construction Products Ukraine: plaster, plasterboard and insulation products.
Sales: UAH 90.8 million. Employees: 42.

Consumers Sklo Zorya (96.7%): glass containers.
Sales: UAH 398.8 million. Employees: 556.

SPAIN, PORTUGAL AND MOROCCO

Spain

Saint-Gobain Cristaleria SA: construction glass, automotive glass, insulation materials (glass wool and rock wool) and photovoltaic glass. Sales: €441.2 million. Employees: 1,425. Subsidiaries:
- Saint-Gobain Autover: replacement automotive glass distribution.
- Saint-Gobain Wanner: thermal and acoustic insulation. Sales: €23.7 million. Employees: 281
- Industrias del Cuarzo (Incusa): sand quarry. Employees: 49.
- Saint-Gobain Glass Solarcontrol SL: Sales: €18.7 million. Employees: 58.

La Veneciana: flat glass product and mirror glass manufacturing, distribution and installation. Sales (including subsidiaries): €74.9 million. Employees (including subsidiaries): 495. Subsidiaries: La Veneciana Norte, La Veneciana Bética, Cristaleria Industrial (CRISA).

Saint-Gobain Abrasivos: abrasive grinding wheels.
Sales: €30.4 million. Employees: 129.

Saint-Gobain Placo Iberica SA: plasterboard.
Sales: €130.3 million. Employees: 611.

SG Transformados: mineral wool transformation and production for the acoustic and hydroponics markets.
Sales: €12.8 million. Employees: 51.

Saint-Gobain PAM España SA: ductile cast-iron pipes.
Sales: €127.3 million. Employees: 252. Subsidiary: Saniplast: distribution of pipes and accessories. Sales: €61.5 million. Employees: 178.

Discesur: ceramic tile distribution. Sales: €29 million. Employees: 98.

Saint-Gobain Vicasa SA: glass containers (bottles and industrial jars). Sales: €309.5 million. Employees: 1,036. These figures include Saint-Gobain Montblanc SA: glass containers. Subsidiary: Vidrieras Canarias (41.03%): glass containers. Sales: €21.8 million. Employees: 85.

Portugal

Saint-Gobain Glass Portugal Vidro Plano SA: construction glass, construction glass products, glass for household appliances. Sales: €53.7 million. Employees: 46. Subsidiaries: Covipor-CIA Vidreira do Norte, Covilis and EVI-Pruducao de Energia: construction glass products. Sales: €36 million. Employees: 148.

Saint-Gobain Sekurit Portugal Vidro Automovel SA: automotive glass products. Sales: €59.2 million. Employees: 236. Subsidiary: Autover Lusa (60%): replacement automotive glass distribution. Sales: €10.1 million. Employees: 80.

Saint-Gobain Abrasivos Lda: abrasives distribution. Employees: 30.

Saint-Gobain PAM Portugal SA: pipe distribution. Sales: €21.9 million. Employees: 24.

Saint-Gobain Mondego SA: glass containers (bottles and industrial jars). Sales: €84.5 million. Employees: 238.

Morocco

Saint-Gobain Abrasivos Lda (85%): abrasives distribution. Employees: 107.

UNITED KINGDOM, REPUBLIC OF IRELAND AND SOUTH AFRICA

United Kingdom

€1 = GBP 0.858

Solaglas Ltd: construction glass products manufacturing and distribution (tempered glass, laminated glass, mirrors, insulating glass). Network of 29 sites, including 8 production facilities, throughout the UK. Sales: GBP 111.2 million. Employees: 1,159. These figures include all subsidiaries held by Solaglas Ltd., the most important of which are: Hayes Group, Dockrell Glass Group: construction glass products; Thermax, Birmingham Build: automotive and construction glass products.

Saint-Gobain Ceramics & Plastics Plc: holding company. Subsidiaries:
- Saint-Gobain Industrial Ceramics Ltd: high-temperature insulating fiber and refractory products. Sales: GBP 6.2 million. Employees: 49.
- Saint-Gobain Performance Plastics Corby and Saint-Gobain Performance Plastics Tygaflor Ltd: heat-resistant hose, tubing and bundles for beverage-dispensing applications. Sales: GBP 14.6 million. Employees: 42.

Rencol Tolerance Rings Ltd: Sales: GBP 14.4 million. Employees: 110.

Saint-Gobain Abrasives Ltd UK. Subsidiary: Saint-Gobain Abrasives Ltd. Sales: GBP 37.9 million. Employees: 237. 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 78.1 million. Employees: 189.
- Saint-Gobain Technical Fabrics UK Ltd.

British Plaster Board (Bpb Plc): plasterboard, construction plaster, other specialty plasters and insulation products. Sales: GBP 423.6 million. Employees (including subsidiaries): 1,527.

Saint-Gobain Ecophon Ltd: acoustic products. Sales: GBP 17 million. Employees: 45.

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 69.9 million. Employees: 386.

Saint-Gobain Building Distribution Ltd: holding company. Building materials distribution (887 outlets in the United Kingdom and the Republic of Ireland). Sales: GBP 2 billion. Employees (including subsidiaries): 11,266.

Republic of Ireland

Chemfab Holding: Subsidiaries: Chemfab Ireland Ltd and Saint-Gobain PPL Ireland: PTFE and silicone-coated fabrics, adhesive tapes. Sales: €21.1 million. Employees: 65.

Glasuld Ireland: insulation products.

Gypsum Industries Ltd Ireland: plaster, plasterboard, ceiling tiles, insulation products. Sales: €61.2 million. Employees: 163.

South Africa

€1 = ZAR 9.713

Saint-Gobain Abrasives South Africa: coated abrasives, superabrasives, grinding wheels. Sales: ZAR 63.4 million. Employees: 128.

Saint-Gobain Construction Products South Africa Ltd.: plaster, plasterboard, ceiling tiles, insulation products. Sales: ZAR 1.1 billion. Employees: 931.

Donn South Africa Ltd (67%): plasterboard and ceiling tiles. Sales: ZAR 273.1 million. Employees: 122.

Saint-Gobain Pipelines South Africa: cast-iron parts. Sales: ZAR 195.9 million. Employees: 241.

ITALY, GREECE, EGYPT & TURKEY

Italy

Saint-Gobain Glass Italia SpA: flat glass and flat glass products. Sales: €74.6 million. Employees: 313. Subsidiaries:
- Flovetro SpA (50%): float glass and float glass products. Sales: €17.8 million. Employees: 47.
- SGGI Logistica Servizi: road transport.
- Saint-Gobain Glass Italia Distribuzione S.R.L: glass products manufacturing and distribution. Sales: €36 million. Employees: 41.
- Vetreira Industriale Saint-Gobain (V.I.S) S.R.L. Employees: 24.

Saint-Gobain Sekurit Italia S.R.L: automotive glass products. Sales: €42.6 million. Employees: 132. Subsidiaries: SG Autover Italia S.R.L., SG Sicurglass S.R.L. and Sicurglass Sud.
Total sales by the subgroup: €57.8 million. Employees: 316.

Saint-Gobain Euroveder Italia SpA: empered glass for household appliances. Sales: €21.8 million. Employees: 142.

Saint-Gobain Abrasivi SpA: abrasive grinding wheels. Sales: €83.4 million. Employees: 335.

SEPR Italia SpA: fused-cast refractory products. Sales: €20 million. Employees: 158.

Saint-Gobain Isover Italia: insulation products and sealing products (roofing materials, fiberglass mat siding). Sales: €59.6 million. Employees: 156.

Saint-Gobain PPC Italia SpA: plaster, plasterboard and ceiling tiles. Sales: €112.3 million. Employees: 323

Saint-Gobain PAM Italia SpA: ductile cast-iron pipes. Sales: €70.6 million. Employees: 100.

Vemac S.R.L: building materials distribution (11 outlets). Sales: €46.8 million. Employees: 172.

Di-Trani: building materials distribution. Sales: €13.4 million. Employees: 43.

Saint-Gobain Vetri SpA: glass containers (bottles and industrial jars). Sales: €499.4 million. Employees: 1,202. These figures include those of Ecoglass: cullet collection and processing.

Greece

Autover Hellas: Employees: 33.

Saint-Gobain Hellas ABEE: plaster and pipe products. Sales: €13.4 million. Employees: 60.

Egypt

€1 = EGP 7.477

Saint-Gobain Glass Egypt (51%): flat glass and flat glass products. Employees: 289.

BPB Placo Egypt for Industrial Investments Sae: plaster. Employees: 346.

Turkey

€1 = TRY 1.998

Izocam (47.5%): glass wool and rock wool. Sales: TRY 123.2 million. Employees: 205.

Saint-Gobain Rigips Alci: plaster. Sales: TRY 33.8 million. Employees: 93.

Saint-Gobain Weber Markem: industrial mortars. Sales: TRY 85.3 million. Employees: 220.

OTHER EUROPEAN COUNTRIES

Switzerland

€1 = CHF 1.382

Vetrotech Saint-Gobain International AG: glass ceramic hobs and construction glass. Sales: CHF 194.9 million. Employees: 368.

Rasta: Employees: 20.

Saint-Gobain Isover SA: insulation products manufacturing and marketing, fiberglass reinforcements distribution. Sales: CHF 62.7 million. Employees: 159.

Rigips AG: plaster, plasterboard, insulation products and ceiling tiles. Sales: CHF 81.8 million. Employees: 161.

Sanitas Troesch: fitted bathrooms and kitchens distribution (32 outlets). Sales: CHF 611.9 million. Employees: 958.

International Saint-Gobain: holding company.

NORTH AMERICA

United States

€1 = USD 1.327

Saint-Gobain Corporation: holding company.

CertainTeed Corporation: insulation products and building materials, including:
– 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 2.5 billion. Employees: 4,521. CertainTeed Corporation sales and employees include Saint-Gobain Technical Fabrics America, SG Vetrotex America US Glass Materials, 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 by the subgroup: USD 24 million. Employees: 56.

Sage Electrochromics Inc. (55.5%): electrochromic glass. Employees: 51.

Saint-Gobain Autover Inc: replacement glass. Total sales by the subgroup: USD 14.4 million. Employees: 16.

Eurokera North America (50%): glass ceramic hobs. Sales: USD 29.4 million. Employees: 54.

Saint-Gobain Abrasives, Inc.: bonded abrasives, coated abrasives and superabrasives. Sales: USD 721.9 million. Employees: 2,934. These figures include Saint-Gobain Universal Superabrasives, Inc. and its main subsidiaries in the United States, Canada, Mexico and New Zealand.

Saint-Gobain Ceramics & Plastics, Inc.: technical ceramics, chemical process products, high-performance plastics, fused-cast refractory products, special ceramic grains and silicon carbide products. Sales: USD 1.5 billion. Employees: 4,076.

Norandex Building Materials Distribution: building materials distribution (105 outlets), vinyl siding production. Sales: USD 461.5 million. Employees: 1,047.

Meyer International Inc.: Sales: USD 55.3 million. Employees: 192.

Certainteed Gypsum & Ceillings USA: plaster, plasterboard and ceiling tiles. Sales: USD 270.2 million. Employees: 638.

Saint-Gobain Containers, Inc.: glass containers (bottles and jars). Sales: USD 1.5 billion. Employees: 4,334. Subsidiary: GPS America. Sales: USD 24.8 million. Employees: 61.

Canada

€1 = CAD 1.367

Saint-Gobain Technical Fabrics Canada, Ltd: industrial door and window parts. Sales: CAD 15.4 million. Employees: 60.

SG CM Canada Inc: abrasive grains. Sales: CAD 28.3 million.

Decoustics: acoustic products. Sales: CAD 28 million. Employees: 100.

CertainTeed Gypsum Canada, Inc.: plasterboard. Sales: CAD 288.8 million. Employees: 561.

Certain Teed Insulation: insulation products. Sales: CAD 48 million. Employees: 233.

MEXICO, COLOMBIA & VENEZUELA

Mexico

€1 = MXN 16.756

Saint-Gobain Glass Mexico: flat glass and flat glass products. Sales: MXN 2.4 billion. Employees: 454.

Saint-Gobain Sekurit Mexico: automotive glass. Sales: MXN 1.4 billion. Employees: 683.

Saint-Gobain Glass Euroveder Mexico: tempered glass for household appliances. Sales: MXN 215 million. Employees: 103.

Saint-Gobain Vetrotex America - Xicoh: insect screens. Sales: MXN 824.7 million. Employees: 718.

Saint-Gobain Gypsum SA de CV: Employees: 106.

Colombia

€1 = COP 2.520

Saint-Gobain Sekurit de Colombia: automotive and construction glass. Sales: COP 73.8 million. Employees: 341.

Productora de Abrasivos: oated abrasives and grinding wheels. Sales: COP 38.8 billion. Employees: 84.

Fiberglass Colombia (55%): glass wool for the building and manufacturing industries. Sales: COP 52.8 million. Employees: 198.

PAM Colombia SA: water supply pipes. Sales: COP 15.8 million. Employees: 12.

Venezuela

€1 =VEF 6.896

Saint-Gobain Sekurit: automotive glass. Sales: VEF 42.1 million. Employees: 4.

Saint-Gobain Abrasivos CA: coated abrasives and grinding wheels. Sales: VEF 47.7 million. Employees: 90.

Saint-Gobain Materiales Ceramicos CA: silicon carbide. Sales: VEF 68.5 million. Employees: 40.

Fibras Fivenglass SA: insulation products distribution. Sales: VEF 25.2 million. Employees: 18.

BRAZIL, ARGENTINA & CHILE

Brazil

€1 = BRL 2.335

Saint-Gobain Do Brazil Ltda: construction glass, automotive glass, fiberglass insulation, reinforcement products, ceramic products, plastics, grains and powders. Sales: BRL 1.4 billion. Employees: 3,761. Subsidiaries:
- Mineraçao Jundu (50%): quarry operator. Employees: 158.
- Cebrace (50%): flat glass and flat glass products.

Sales: BRL 979.5 million. Employees: 970.

Placo Do Brazil: plaster and plasterboard. Sales: BRL 94.1 million. Employees: 103.

Saint-Gobain Do Brazil Weber: tile adhesive. Sales: BRL 677.7 million. Employees: 1,166.

Saint-Gobain Vidros SA: glass containers (bottles and industrial jars) and glassware. Sales: BRL 484.7 million. Employees: 1,043.

Saint-Gobain Abrasivos Ltda: bonded and coated abrasives. Sales: BRL 503.6 million. Employees: 1,253.

Saint-Gobain Canalização: ductile cast-iron pipes and connectors. Sales: BRL 438.8 million. Employees: 1,257.

Argentina

€1 = ARS 5.272

Vidrieria Argentina (VASA) (49%): construction glass. Sales: ARS 289 million. Employees: 166.

Saint-Gobain Abrasivos Argentina: bonded abrasives manufacturing and distribution. Sales: ARS 58.9 million. Employees: 29.

Saint-Gobain Argentina SA: plaster, plasterboard, fiber-glass insulation, reinforcement products, automotive glass and pipe products. Sales: ARS 155.6 million. Employees: 245.

Barugel Azulay: kitchen, bathroom and tile distribution (12 outlets). Sales: ARS 171.1 million. Employees: 260.

Rayen Cura Saic (60%): glass containers (bottles). Sales: ARS 393.6 million. Employees: 350.

Chile

€1 = CLP 676.485

Inversiones Float Chile Ltda (49%): flat glass and flat glass products. Subsidiary: Vidrios Lirquen (51.5%): flat glass and flat glass products. Sales: CLP 10.3 billion. Employees: 133.

Saint-Gobain Envases SA (51%): glass containers (bottles). Sales: CLP 17.7 billion. Employees: 186.

ASIA-PACIFIC

Australia

€1 = AUD 1.445

Saint-Gobain Abrasives Australia Pty Ltd. Sales: AUD 106.1 million. Employees: 214.

China

€1 = CNY 8.981

Saint-Gobain Hanglas Sekurit Shanghai: automotive and photovoltaic glass products. Sales: CNY 1.1 billion. Employees: 707

Saint-Gobain Sekurit Shanghai Co. Ltd.: automotive glass products. Sales: CNY 91.2 million. Employees: 28.

Nanjing New Nanwoo Glass Industries Co. Ltd: Sales: CNY 392.6 million. Employees: 459.

Qingdao Saint-Gobain Hanglas Clfg Co. Ltd. (94.9%). Sales: CNY 360.1 million. Employees: 251.

Eurokera Guangzhou Co. Ltd. (50%): glass ceramic hob finishing products.

Kunshan Yongxin Glassware Co. Ltd. (60%): Sales: CNY 208.5 million. Employees: 436.

SEPR Beijing (87.8%): fused-cast refractory products. Sales: CNY 220.3 million. Employees: 393.

Saint-Gobain PPL Shangaï.: Sales: CNY 387.2 million. Employees: 346.

Ceramic Materials China (Lianyungang). Sales: CNY 20.6 million. Employees: 9.

Ceramic Materials Mudanjiang Co. Ltd. Sales: CNY 232.9 million. Employees: 364.

Abrasives Shanghai: abrasive grinding wheels. Sales: CNY 622.2 million. Employees: 514.

Saint-Gobain Technical Fabrics (Changzhou) Co. Ltd.: Sales: CNY 43.3 million. Employees: 4.

Saint-Gobain Gypsum (Changzhou): plaster. Sales: CNY 189.9 million. Employees: 106.

Saint-Gobain Gypsum Materials Shanghaï: plaster. Sales: CNY 188.7 million. Employees: 170.

Saint-Gobain Isover Gu An: Employees: 132.

Saint-Gobain Pipelines Co. Ltd.: ductile cast iron pipes. Sales: CNY 1.1 billion. Employees: 958.

Saint-Gobain Foundry Co. Employees: 213.

DIP: ductile cast iron pipes. Sales: CNY 681.9 million. Employees: 448.

Saint-Gobain (Xuzhou) Pipe Cie. Ltd. Xuzhou General Iron and Steel Works): liquid cast iron production. Subsidiary: Ductile Iron Pipe Co. (D.I.P.). Sales: CNY 2.1 billion. Employees: 2,065.

Saint-Gobain Pipelines (Xuzhou) Co. Ltd.
Sales: CNY 1.3 billion. Employees: 592.

La Maison (SGDB China) (51%): home improvement products distribution. Sales: CNY 254.4 million. Employees: 903.

South Korea

€1 = KRW 1.533

Hankuk Glass Industries Inc. (77.0%) listed on the Seoul Stock Exchange: flat glass. Sales: KRW 353 million. Employees: 519. Subsidiaries:
- Hankuk Sekurit Limited (99.9%): automotive glass products. Sales: KRW 205.3 million. Employees: 433.
- Hankuk Haniso. Sales: KRW 91.5 million. Employees: 111.

Saint-Gobain PPL Korea Co Ltd. Sales: KRW 29.3 million. Employees: 60.

Indonesia

€1 = IDR 12,057.967

Saint-Gobain Winter Diamas (75%). Employees: 244.

Saint-Gobain Abrasives Indonesia. Employees: 82.

Japan

€1 = JPY 116.474

Saint-Gobain K.K. Sekurit: automotive glass. Sales: JPY 4.1 billion. Employees: 14.

Saint-Gobain K.K.: superabrasives, technical ceramics and high-performance plastics. Sales: JPY 6.2 billion. Employees: 127.

Saint-Gobain K.K. PPL: Sales: JPY 4.5 billion. Employees: 98.

Saint-Gobain TM KK (60%): glass furnace refractories. Sales: JPY 11 billion. Employees: 177.

MAG Japan (97.4%): glass wool. Sales: JPY 17.4 billion. Employees: 388.

Malaysia

€1 = MYR 4.275

Saint-Gobain Constuction Products Malaysia Sdn: plaster. Sales: MYR 68.7 million. Employees: 73.

Singapore

€1 = SGD 1.808

Saint-Gobain Abrasives Singapour.
Sales: SGD 31.5 million. Employees: 25.

Thailand

€1 = THB 42.088

Saint-Gobain Sekurit Thailand (95%): automotive glass products. Sales: THB 2.7 billion. Employees: 616.

Saint-Gobain Abrasives Thailand LTD Employees: 137.

Thaï Gypsum Products Plc (99.7%): plaster and plasterboard. Sales: THB 2.5 billion. Employees: 384. Subsidiary: BPB Asia Ltd.

Vietnam

€1 = VND 25,608.248

Saint-Gobain Constuction Products Vietnam: plaster. Sales: VND 552.6 billion. Employees: 128.

INDIA

€1 = INR 60.630

Saint-Gobain Glass India Ltd. Sales: INR 12.6 billion. Employees: 1,116.

Saint-Gobain Sekurit India Ltd: listed on the Mumbai Stock Exchange: automotive glass products. Sales: INR 916.1 million. Employees: 180.

Grindwell Norton Ltd (51.6%): listed on the Mumbai Stock Exchange: abrasives and ceramics. Sales: INR 7.2 billion. Employees: 1,549.

SEPR Refractories India Ltd: fused-cast refractory products. Sales: INR 1.1 billion. Employees: 415.

Saint-Gobain Crystals & Detectors India Ltd:
Employees: 91.

Saint-Gobain Gyproc India Ltd: plaster and plasterboard. Sales: INR 3.4 billion. Employees: 456.

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 care 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 its import.

I further declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of Compagnie de Saint-Gobain and the undertakings in the consolidation taken as a whole, and that the management report includes a fair review of the development and performance of the business, profit or loss and financial position of the Company and the undertakings in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.
I obtained a statement from the Statutory Auditors at the end of their audit in which they confirm that they verified the information regarding the financial position and the accounts contained herein, and read the entire Registration Document."

Courbevoie,
March 25, 2011

Pierre-André de CHALENDAR

Chairman 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, 2009 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 31, 2010 under no D.10-0194.
- 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 Registration Document filed with the Autorité des Marchés Financiers on March 24, 2009 under no. D.09-0149.

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.

COMPAGNIE DE SAINT-GOBAIN France Head Office	**Head Office** Les Miroirs 18, avenue d'Alsace 92400 Courbevoie Mailing address: Les Miroirs 92096 La Défense Cedex – France Tel. : +33 (1) 47 62 30 00 www.saint-gobain.com
INNOVATING MATERIALS	**Flat Glass** Tél. : +33 (1) 47 62 34 00 **High Performance Materials** Tel. : +33 (1) 47 62 37 00
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