CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

GROUP CONSOLIDATED
REPORTING DEPARTMENT

CONSOLIDATED BALANCE SHEET

(in € millions)	Notes	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
ASSETS				
Goodwill	(3)	10,671	9,240	9,327
Other intangible assets	(4)	2,868	3,125	3,202
Property, plant and equipment	(5)	13,374	12,753	12,769
Investments in associates	(6)	116	123	238
Deferred tax assets	(14)	507	328	348
Other non-current assets	(7)	490	472	390
Non-current assets		**28,026**	**26,041**	**26,274**
Inventories	(8)	6,113	5,833	5,629
Trade accounts receivable	(9)	5,647	6,211	6,301
Current tax receivable		248	173	66
Other receivables	(9)	1,424	1,481	1,390
Assets held for sale	(2)	0	105	548
Cash and cash equivalents	(18)	1,937	1,294	1,468
Current assets		**15,369**	**15,097**	**15,402**
Total assets		**43,395**	**41,138**	**41,676**
EQUITY AND LIABILITIES				
Capital stock	(10)	1,530	1,497	1,474
Additional paid-in capital and legal reserve		3,940	3,617	3,315
Retained earnings and net income for the year		10,910	10,625	9,562
Cumulative translation adjustments		(1,740)	(564)	140
Fair value reserves		(160)	8	(20)
Treasury stock	(10)	(206)	(206)	(306)
Shareholders' equity		**14,274**	**14,977**	**14,165**
Minority interests		256	290	322
Total equity		**14,530**	**15,267**	**14,487**
Long-term debt	(18)	10,365	8,747	9,877
Provisions for pensions and other employee benefits	(13)	2,443	1,807	2,203
Deferred tax liabilities	(14)	1,130	1,277	1,222
Other non-current liabilities and provisions*	(15)	1,950	1,483	936
Non-current liabilities		**15,888**	**13,314**	**14,238**
Current portion of long-term debt	(18)	1,364	971	993
Current portion of other liabilities	(15)	460	547	467
Trade accounts payable	(16)	5,613	5,752	5,519
Current tax liabilities		263	317	190
Other payables	(16)	3,390	3,425	3,336
Liabilities held for sale	(2)	0	41	249
Short-term debt and bank overdrafts	(18)	1,887	1,504	2,197
Current liabilities		**12,977**	**12,557**	**12,951**
Total equity and liabilities		**43,395**	**41,138**	**41,676**

* Reclassifications made in the 2007 comparative information are described in Note 15.

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

CONSOLIDATED INCOME STATEMENT

(in € millions)	Notes	**2008**	**2007**	**2006**
Net sales	(32)	43,800	43,421	41,596
Cost of sales	(21)	(32,923)	(32,235)	(31,180)
Selling, general and administrative expenses including research	(21)	(7,228)	(7,078)	(6,702)
Operating income		3,649	4,108	3,714
Other business income	(21)	54	405	184
Other business expense	(21)	(889)	(1,357)	(576)
Business income		**2,814**	**3,156**	**3,322**
Borrowing costs, gross		(771)	(704)	(676)
Income from cash and cash equivalents		64	78	51
Borrowing costs, net		(707)	(626)	(625)
Other financial income and expense	(22)	(43)	(75)	(123)
Net financial expense		**(750)**	**(701)**	**(748)**
Share in net income of associates	(6)	11	14	7
Income taxes	(14)	(638)	(926)	(899)
Net income		**1,437**	**1,543**	**1,682**
Attributable to equity holders of the parent		**1,378**	**1,487**	**1,637**
Minority interests		59	56	45
Earnings per share (in €)				
Weighted average number of shares in issue		374,998,085	367,124,675	341,048,210
Basic earnings per share	(24)	3.67	4.05	4.80
Weighted average number of shares assuming full dilution		376,825,178	374,344,930	363,809,234
Diluted earnings per share	(24)	3.66	3.97	4.54

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

CONSOLIDATED CASH FLOW STATEMENT

(in € millions)	Notes	2008	2007	2006
Net income attributable to equity holders of the parent		**1,378**	**1,487**	**1,637**
Minority interests in net income	(*)	59	56	45
Share in net income of associates, net of dividends received	(6)	(7)	(6)	(2)
Depreciation, amortization and impairment of assets	(21)	1,681	1,875	1,717
Gains and losses on disposals of assets	(21)	(53)	(394)	(175)
Unrealized gains and losses arising from changes in fair value and share-based payments		15	50	125
Changes in inventories	(8)	(205)	(364)	(295)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(9) (16)	477	337	224
Changes in tax receivable and payable	(14)	(96)	12	(19)
Changes in deferred taxes and provisions for other liabilities and charges	(13)(14)(15)	(270)	8	(609)
Charge to provision for competition litigation	(26)	400	694	
Net cash from operating activities		**3,379**	**3,755**	**2,648**
Purchases of property, plant and equipment [2008: (2,149), 2007: (2,273), 2006: (2,191)] and intangible assets	(4) (5)	(2,228)	(2,381)	(2,285)
Increase (decrease) in amounts due to suppliers of fixed assets	(16)	(70)	76	61
Acquisitions of shares in consolidated companies [2008: (2,328), 2007: (837), 2006: (571)], net of cash acquired	(2)	(2,226)	(750)	(501)
Acquisitions of other investments	(7)	(30)	(128)	(13)
Increase in investment-related liabilities	(15)	159	40	116
Decrease in investment-related liabilities	(15)	(103)	(137)	(311)
Investments		**(4,498)**	**(3,280)**	**(2,933)**
Disposals of property, plant and equipment and intangible assets	(4) (5)	174	256	208
Disposals of shares in consolidated companies, net of cash divested	(2)	42	958	657
Disposals of other investments and other divestments	(7)	27	(2)	22
Divestments		**243**	**1,212**	**887**
Increase in loans and deposits	(7)	(53)	(32)	(69)
Decrease in loans and deposits	(7)	55	70	105
Net cash used in investing activities / divestments		**(4,253)**	**(2,030)**	**(2,010)**
Issues of capital stock	(*)	356	325	1,147
Minority interests' share in capital increases of subsidiaries	(*)	4	2	2
(Increase) decrease in treasury stock	(*)	(7)	86	29
Dividends paid	(*)	(767)	(621)	(459)
Dividends paid to minority shareholders of consolidated subsidiaries and increase (decrease) in dividends payable		(65)	(42)	(33)
Increase (decrease) in bank overdrafts and other short-term debt		762	(506)	(462)
Increase in long-term debt		2,987	371	1,356
Decrease in long-term debt		(1,642)	(1,486)	(2,768)
Cash flows from (used in) financing activities		**1,628**	**(1,871)**	**(1,188)**
Increase (decrease) in cash and cash equivalents		**754**	**(146)**	**(550)**
Net effect of exchange rate changes on cash and cash equivalents		(111)	(28)	(47)
Cash and cash equivalents classified as assets held for sale	(2)	0	0	(15)
Cash and cash equivalents at beginning of year		**1,294**	**1,468**	**2,080**
Cash and cash equivalents at end of year		**1,937**	**1,294**	**1,468**

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

Income tax paid amounted to €734 million in 2008, €809 million in 2007 and €821 million in 2006. Interest paid net of interest received amounted to €603 million in 2008, €521 million in 2007 and €462 million in 2006.

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

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

The following statement of recognized income and expense has been prepared in application of IAS 19, paragraph 93B, following the Group's decision to record actuarial gains and losses outside the income statement.

(in € millions)	Shareholders' equity	Minority interests	Total equity
2006			
Translation adjustments	(495)	(17)	(512)
Changes in fair value, net of tax	(36)	0	(36)
Changes in actuarial gains and losses, net of tax	293	0	293
Other	0	(2)	(2)
Income and expense recognized directly in equity	***(238)***	***(19)***	***(257)***
Net income for the year	1,637	45	1,682
Total recognized income and expense for the year	1,399	26	1,425
2007			
Translation adjustments	(704)	(9)	(713)
Changes in fair value, net of tax	28	0	28
Changes in actuarial gains and losses, net of tax	140	0	140
Other	13 (a)	(18)	(5)
Income and expense recognized directly in equity	***(523)***	***(27)***	***(550)***
Net income for the year	1,487	56	1,543
Total recognized income and expense for the year	964	29	993
2008			
Translation adjustments	(1,176)	(36)	(1,212)
Changes in fair value, net of tax	(119)	0	(119)
Changes in actuarial gains and losses, net of tax	(419)	(1)	(420)
Other	(7) (a)	(4)	(11)
Income and expense recognized directly in equity	***(1,721)***	***(41)***	***(1,762)***
Net income for the year	1,378	59	1,437
Total recognized income and expense for the year	(343)	18	(325)

(a) Following the exit from the consolidated taxation agreement in 2006, a €16 million deferred tax asset was recorded for the first time in 2007 in respect of future tax credits that the Group will be eligible to receive when UK and US employees exercise their stock options. Of this amount, €10 million was recognized in income – corresponding to tax savings on the stock option cost recognized in the income statement since the transition to IFRS – and the balance was recognized in equity. In 2008, the deferred tax asset was adjusted to end of the year situation. Of the total adjustment, €10 million was recognized in equity and €5 million in income.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Number of shares		*(In € millions)*								
	Issued	Outstanding (excluding treasury stock)	Capital stock	Additional paid-in capital and legal reserve	Retained earnings and net income for the year	Cumulative translation adjustments	Fair value reserves	Treasury stock	**Shareholders' equity**	**Minority interests**	**Total equity**
At January 1, 2006	**345,256,270**	**336,873,109**	**1,381**	**2,261**	**8,008**	**635**	**16**	**(310)**	**11,991**	**327**	**12,318**
Income and expenses recognized directly in equity			0	0	293	(495)	(36)	0	**(238)**	(19)	**(257)**
Net income for the year					1,637				**1,637**	45	**1,682**
Total recognized income and expense for the year			***0***	***0***	***1,930***	***(495)***	***(36)***	***0***	***1,399***	***26***	***1,425***
Issues of capital stock											
- Group Savings Plan	5,399,291	5,399,291	22	198					**220**		**220**
- Stock option plans	342,550	342,550	1	11					**12**		**12**
- Other	17,421,612	17,421,612	70	845					**915**	2	**917**
Dividends paid (€1.36 per share)					(459)				**(459)**	(33)	**(492)**
Treasury stock purchased		(1,976,708)						(110)	**(110)**		**(110)**
Treasury stock cancelled									**0**		**0**
Treasury stock sold		3,620,201			25			114	**139**		**139**
Share-based payments					58				**58**		**58**
At December 31, 2006	**368,419,723**	**361,680,055**	**1,474**	**3,315**	**9,562**	**140**	**(20)**	**(306)**	**14,165**	**322**	**14,487**
Income and expenses recognized directly in equity			0	0	153	(704)	28	0	**(523)**	(27)	**(550)**
Net income for the year					1,487				**1,487**	56	**1,543**
Total recognized income and expense for the year			***0***	***0***	***1,640***	***(704)***	***28***	***0***	***964***	***29***	***993***
Issues of capital stock											
- Group Savings Plan	4,981,609	4,981,609	20	274					**294**		**294**
- Stock option plans	730,420	730,420	3	24					**27**		**27**
- Other	84,400	84,400		4					**4**	2	**6**
Dividends paid (€1.70 per share)					(621)				**(621)**	(63)	**(684)**
Treasury stock purchased		(243,277)						(16)	**(16)**		**(16)**
Treasury stock cancelled									**0**		**0**
Treasury stock sold		2,606,976			(14)			116	**102**		**102**
Share-based payments					58				**58**		**58**
At December 31, 2007	**374,216,152**	**369,840,183**	**1,497**	**3,617**	**10,625**	**(564)**	**8**	**(206)**	**14,977**	**290**	**15,267**
Income and expenses recognized directly in equity			0	0	(376)	(1,176)	(169)	0	**(1,721)**	(41)	**(1,762)**
Net income for the year					1,378				**1,378**	59	**1,437**
Total recognized income and expense for the year			***0***	***0***	***1,002***	***(1,176)***	***(169)***	***0***	***(343)***	***18***	***(325)***
Issues of capital stock											
- Group Savings Plan	8,272,947	8,272,947	33	320					**353**		**353**
- Stock option plans	82,886	82,886		3					**3**		**3**
- Other		0							**0**	4	**4**
Dividends paid (€2.05 per share)					(767)				**(767)**	(56)	**(823)**
Treasury stock purchased		(2,898,905)						(131)	**(131)**		**(131)**
Treasury stock cancelled									**0**		**0**
Treasury stock sold		2,729,725			(7)			131	**124**		**124**
Share-based payments					58				**58**		**58**
At December 31, 2008	**382,571,985**	**378,026,836**	**1,530**	**3,940**	**10,911**	**(1,740)**	**(161)**	**(206)**	**14,274**	**256**	**14,530**

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, 2008.

IFRS were applied retrospectively in the opening balance sheet at the transition date (January 1, 2004), with the exception of certain optional or mandatory exemptions provided for under IFRS 1 – First-time Adoption of International Financial Reporting Standards. The Group elected to apply IAS 32 and IAS 39 relating to financial instruments and IFRS 2 relating to share-based payments as of January 1, 2004.

The accounting policies applied are consistent with those used to prepare the financial statements for the years ended December 31, 2006 and 2007. 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 2008 (see the table below) do not have a material impact on the Group's 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, 2009 (see table below). Accordingly, IFRS 8 – Operating Segments has not been applied. Application of this standard would not have any impact on the presentation of the disclosures in Note 32.

The Group has not early adopted IFRIC 14, that was adopted by the International Accounting Standards Board (IASB) on January 1, 2008 but has been adopted for use in the European Union from January 1, 2009. Application of this interpretation would lead to a €138 million reduction in equity after tax. With the exception of IFRIC 14, the consolidated financial statements have been prepared in accordance with all the standards issued by the IASB.

These consolidated financial statements were adopted by the Board of Directors on February 19, 2009 and will be submitted to the Shareholders' Meeting for approval. They are expressed in millions of euros.

ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported 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, considering the sharp deterioration in the economic and financial environment, which makes assessing the business outlook difficult. Actual amounts may differ from those obtained through the use of these estimates and assumptions.

The main estimates and assumptions described in these notes concern the measurement of employee benefit obligations, provisions for other liabilities and charges, asset impairment tests, deferred taxes, share-based payments and financial instruments. Estimates are revised at the balance sheet date and tests are carried out where appropriate to assess their sensitivity to changes in assumptions.

SUMMARY OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS

Standards, interpretations and amendments to published standards applicable in 2008	
IFRIC 11	Group and Treasury Share Transactions
IFRIC 12*	Service Concession Arrangements
IFRIC 14**	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Standards, interpretations and amendments to published standards with early 2008 possible adoption	
IAS 1R	Presentation of Financial Statements
IAS 27R*	Consolidated and Separate Financial Statements
IFRS 3R*	Business Combinations (Phase 2)
IFRS 8	Operating Segments
Amendments to IAS 23	Borrowing Costs
Amendments to IFRS 1 and IAS 27	Determining the Cost of Investments in Subsidiaries, Jointly Controlled Entities and Associates in the Separate Financial Statements
Amendments to IAS 32	Puttable Instruments and Instruments with Obligations Arising on Liquidation
Amendments to IAS 39*	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
Amendments to IFRS 2	Vesting Conditions and Cancellations
IFRIC 13	Customer Loyalty Programmes
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

* Not yet adopted by the European Union.
** Adopted by the International Accounting Standards Board for application from January 1, 2008; adopted for use in the European Union no later than January 1, 2009.

Standards adopted by the European Union may be consulted on the European Commission website, at http://ec.europa.eu/internal_market/accounting/ias_en.htm# adopted-commission

CONSOLIDATION

Scope of consolidation

The Group's consolidated financial statements include the accounts of Compagnie de Saint-Gobain and of all 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 2008 are presented in Note 2 and a list of the principal consolidated companies at December 31, 2008 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.

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

Business combinations

The accounting policies applied in respect of business combinations comply with IFRS 3 and are described in the sections dealing with potential voting rights, share purchase commitments and goodwill.

Potential voting rights and share purchase commitments

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

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

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

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

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

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

At each balance sheet date, the value of the assets and liabilities is reviewed to determine whether any additions to or reversals of provisions should be recognized due to a change in their fair value less costs to sell.

Intragroup transactions

All intragroup balances and transactions are eliminated in consolidation.

Minority interests

When consolidated subsidiary's cumulative losses exceed its equity, the portion of the excess attributable to minority interests is allocated to the Group's majority interest unless the minority has a binding obligation to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the Group's majority interest until the minority’s share of losses previously absorbed by the Group has been recovered.

Transactions with minority interests are treated in the same way as transactions with parties external to the Group.

Translation of the financial statements of foreign companies

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

Assets and liabilities of subsidiaries outside the euro zone are translated into euros at the closing exchange rate and income and expense items are translated using the average exchange rate for the period, except when exchange rates have been significantly volatile.

The Group's share of any translation gains or losses is included in equity under "Cumulative translation adjustments", until the foreign operations to which they relate are sold or liquidated, at which time they are taken to the income statement. The Group elected to use the exemption allowed under IFRS 1, by resetting to zero at January 1, 2004 the cumulative translation differences that existed at the IFRS transition date.

Foreign currency transactions

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

BALANCE SHEET ITEMS

Goodwill

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

The acquisition cost is the amount of cash and cash equivalents paid to the seller plus any costs directly attributable to the acquisition, such as fees paid to investment banks, attorneys, auditors, independent valuers and other consultants.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired entity. If the cost of the acquisition is less than the fair value of the net identifiable assets, liabilities and contingent liabilities acquired, the difference is recognized directly in the income statement.

Goodwill arising on acquisition of companies accounted for by the equity method is included in "Investments in associates".

Other intangible assets

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

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

Costs incurred to develop software in-house – primarily configuration, programming and testing costs – are recognized as intangible assets. Patents and purchased computer software are amortized over their estimated useful lives, not exceeding 20 years for patents and 3 to 5 years for software.

Research costs are expensed as incurred. Development costs meeting the recognition criteria under IAS 38 are included in intangible assets and amortized over their estimated useful lives (not to exceed 5 years) from the date when the products to which they relate are first marketed.

The greenhouse gas emissions allowances granted to the Group have not been recognized as assets in the consolidated financial statements, as IFRIC 3 - Emission Rights has been withdrawn. A provision is recorded in the consolidated financial statements to cover any difference between the Group's emissions and the allowances granted. Details of the measurement of emissions allowances available at the balance sheet date are provided in Note 4.

Property, plant and equipment

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

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

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

Borrowing costs incurred for the construction and acquisition of property, plant and equipment are recorded under "Net financial expense" and are not included in the cost of the related asset.

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 and/or material decline in value, in which case an impairment loss is recorded in the income statement.

Impairment of assets

Property, plant and equipment, goodwill and other intangible assets are tested for impairment on a regular basis. These tests consist of comparing the asset's carrying amount to its recoverable amount. Recoverable amount is the higher of the asset's fair value less costs to sell and its value in use, calculated by reference to the present value of the future cash flows expected to be derived from the asset.

For property, plant and equipment and amortizable intangible assets, an impairment test is performed whenever revenues from the asset decline or the asset generates operating losses due to either internal or external factors, and no improvement is forecast in the annual budget or the business plan.

For goodwill and other intangible assets (including brands with indefinite useful lives), an impairment test is performed at least annually based on the five-year business plan. Goodwill is reviewed systematically and exhaustively at the level of each cash-generating unit (CGU) and where necessary more detailed tests are carried out. The Group's reporting segments are its five business sectors, which may each include several CGUs. A CGU is a reporting sub-segment, generally defined as a core business of the segment in a given geographical area. It typically reflects the manner in which the Group organizes its business and analyzes its results for internal reporting purposes. In 2008, 39 main CGUs were identified and monitored.

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 cost of capital (7.5% in 2008 and 7% in 2007), plus a country risk premium where appropriate depending on the geographic area concerned, bringing the discount rate up to 10% in some cases.
The recoverable amount calculated using a post-tax discount rate gives the same result as a pre-tax rate applied to pre-tax cash flows.

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

- 1-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 value in use of an asset (or goodwill) is lower than its carrying amount, if the asset's fair value less costs to sell is also lower than the carrying amount an impairment loss is recorded to reduce the carrying amount of the asset or goodwill to its recoverable amount.

Overall and for the main acquisitions, impairment tests carried out in 2008 did not reveal any major impairments, although for recent acquisitions – primarily the Gypsum business in the United States – the worsening economic environment has created a degree of uncertainty regarding projected cash flows and the resulting valuations. However, a 0.5-point increase in the discount rate or a 0.5-point decrease in the average cash flow growth rate projected to perpetuity would not result in any impairment losses being recognized on intangible assets currently carried in the balance sheet.

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.

Operating receivables and payables

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

For trade receivables transferred under securitization programs, the contracts concerned are analyzed and if substantially all the risks associated with the receivables are not transferred to the financing institutions, they remain in the balance sheet and a corresponding liability is recognized in short-term debt.

Net debt

- *Long-term debt*

Long-term debt includes bonds, Medium Term Notes, perpetual bonds, participating securities and all other types of long-term financial liabilities including lease liabilities and the fair value of derivatives qualifying as interest rate hedges.
Under IAS 32, the distinction between financial liabilities and equity is based on the substance of the contracts concerned rather than their legal form. As a result, participating securities are classified as debt and not as quasi-equity. At the balance sheet date, long-term debt is measured at amortized cost. Premiums and issuance costs are amortized using the effective interest method.

- *Short-term debt*

Short-term debt includes the current portion of the long-term debt described above, short-term financing programs such as commercial paper or *billets de trésorerie* (French commercial paper), bank overdrafts and other short-term bank borrowings, as well as the fair value of credit derivatives not qualifying for hedge accounting. At the balance sheet date, short-term debt is measured at amortized cost. Premiums and issuance costs are amortized using the effective interest method.

- *Cash and cash equivalents*

Cash and cash equivalents mainly consist of cash on hand, bank accounts, and marketable securities that are short-term, highly liquid investments readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Marketable securities are measured at fair value through profit or loss.

Further details about long- and short-term debt are provided in Note 18.

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

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

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

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

- *Fair value hedges*

Most interest rate derivatives used by the Group to swap fixed rates for variable rates are designated and qualify as fair value hedges. These derivatives hedge fixed-rate debts exposed to a fair value risk. In accordance with hedge accounting principles, debt included in designated fair value hedging relationships 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. 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 current fair value of another instrument that is substantially the same, or discounted cash flow analysis based on observable market data.
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

At the IFRS transition date (January 1, 2004) the Saint-Gobain Group elected to apply IFRS 2 to its November 20, 2002 stock option plan and all subsequent plans.

The cost of stock option plans is calculated using the Black & Scholes option pricing model, based on the following parameters:

- Volatility assumptions that take into account the historical volatility of the share price over a rolling 10-year period, as well as implied volatility from traded share options. Periods during which the share price was extraordinarily volatile are disregarded.

- Assumptions relating to the average holding period of options, based on observed behavior of option holders.
- Expected dividends, as estimated on the basis of historical information dating back to 1988.
- A risk-free interest rate corresponding to the yield on long-term government bonds.

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

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

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

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

In 2008 and 2007, Saint-Gobain set up a leveraged Group Savings Plan. This plan offers a 15% discount and allows participating employees to receive, at maturity and for each share subscribed, a capital gain equivalent to the gain on ten shares over the period. The plan costs are calculated under IFRS 2 in the same way as for the non-leveraged plan, but also take into account the advantage accruing to employees who have access to share prices with a volatility profile adapted to institutional investors.

The cost of the two plans was recognized in full at the end of the subscription period, during the first half of the year.

Equity

- *Additional paid-in capital and legal reserve*

This item includes capital contributions in excess of the par value of capital stock as well as the legal reserve which corresponds to a cumulative portion of the net income of Compagnie de Saint-Gobain.

- *Retained earnings and net income for the year*

Retained earnings and net income for the year correspond to the Group's share in the undistributed earnings of all consolidated companies.

- *Treasury stock*

Treasury stock is measured at cost and recorded as a deduction from equity. Gains and losses on disposals of treasury stock are recognized directly in equity and have no impact on net income for the period.

Other current and non-current liabilities and provisions

- *Provisions for other liabilities and charges*

A provision is booked when (i) the Group has a present legal or constructive obligation towards a third party as a result of a past event, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) the amount of the obligation can be estimated reliably.

If the timing or the amount of the obligation cannot be measured reliably, it is classified as a contingent liability and reported as an off-balance sheet commitment. However, contingent liabilities arising on business combinations are recognized in the balance sheet.

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

- *Investment-related liabilities*

Investment-related liabilities correspond to put options granted to minority shareholders of subsidiaries and liabilities relating to the acquisition of shares in Group companies, including additional purchase consideration. They are reviewed on a periodic basis. The impact of discounting adjustments reflecting the passage of time is recognized in financial income and expense.

INCOME STATEMENT ITEMS

Revenue recognition

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

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

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

Operating income

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

Other business income and expense

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

Business income

Business income includes all income and expenses other than net 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.

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 provision is made in respect of tax on 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 if they relate to items that are recognized directly in equity, in which case the deferred tax is also recognized in equity.

Earnings per share

Basic earnings per share are calculated by dividing net income by the average number of shares in issue during the period, excluding treasury stock.

Diluted earnings per share are calculated by adjusting earnings per share (see Note 24) 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 23.

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 year-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 23.

Cash flow from operations before tax on capital gains or losses

Cash flow from operations before tax on capital gains or losses corresponds to cash flow from operations less the tax effect of asset disposals.

The method used for calculating cash flow from operations before tax on capital gains or losses is explained in Note 23.

SEGMENT INFORMATION

The Group's primary reporting format is based on sectors and divisions and the secondary reporting format is based on geographic areas, reflecting the Group's internal structure.

NOTE 2 - CHANGES IN GROUP STRUCTURE

Changes in Group structure in 2008

2008	France	Outside France	Total
FULLY CONSOLIDATED COMPANIES			
At January 1	210	1,206	1,416
Newly consolidated companies	35	131	166
Merged companies	(34)	(199)	(233)
Deconsolidated companies	(3)	(12)	(15)
Change in consolidation method		1	1
At December 31	**208**	**1,127**	**1,335**
PROPORTIONATELY CONSOLIDATED COMPANIES			
At January 1	2	11	13
Newly consolidated companies		6	6
Deconsolidated companies			0
Change in consolidation method		3	3
At December 31	**2**	**20**	**22**
COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD			
At January 1	6	73	79
Newly consolidated companies	1	11	12
Merged companies		(6)	(6)
Deconsolidated companies		(11)	(11)
Change in consolidation method		(4)	(4)
At December 31	**7**	**63**	**70**
TOTAL at December 31	**217**	**1,210**	**1,427**

Significant changes in Group structure

2008

On March 13, 2008, Saint-Gobain completed the acquisition of the Maxit group from HeidelbergCement for €2,087 million including €559 million in assumed net debt.
Maxit was fully consolidated from March 1, 2008, within the Industrial Mortars division, contributing €1,019 million to consolidated net sales for the year.
The provisional allocation of the acquisition price to the identifiable assets and liabilities acquired at December 31, 2008 led to positive fair value adjustments to inventories for €13 million and to property, plant and equipment for €48 million, negative fair value adjustments to non-current financial assets of €11 million, and a €19 million increase before tax in liabilities and contingent liabilities. Goodwill arising on the business combination was provisionally estimated at €1,539 million at December 31, 2008.

During the first half of 2008, the Group acquired two building materials distribution companies, Dalhoff Larsen & Horneman A/S (DLH) in Denmark, and Famar Desi in Estonia. UK-based building materials distributor Gibbs & Dandy was also acquired, through a cash offer that closed on July 1, 2008.

2007

The Building Distribution sector made several acquisitions in 2007, mainly in France, the United Kingdom, Germany, the Netherlands, Spain and the United States.

On August 31, 2007, Saint-Gobain acquired the US group Norandex. Sales from its distribution business were consolidated over the last four months of 2007 and totaled €161 million.

Izocam and Saint-Gobain Envases SA, which were acquired at the end of 2006 and previously accounted for by the equity method, were accounted for using proportionate consolidation (Izocam) and full consolidation (Saint-Gobain Envases SA) from January 1, 2007.

Following the agreement entered into with investment funds Sagard and Cognetas, the Saint-Gobain Desjonquères group, which was classified as held for sale at December 31, 2006, was sold on March 29, 2007. The capital gain on the sale of the entire capital stock of Saint-Gobain Desjonquères was recorded under "Other business income" (see Note 21). The sub-group's consolidated sales for first-quarter 2007 amounted to €149 million.

The Saint-Gobain Group subsequently decided to acquire a 19.9% interest in holding company Cougard Investissements, the parent company of the new Desjonquères group (SGD), for €42 million. This investment comprised €14 million in shares classified as available-for-sale and €28 million in convertible bonds, both of which are included in other non-current assets. Changes in the fair value of the convertible bonds are accounted for through income.

On November 1, 2007, the Group's Reinforcement and Composites division (excluding the US fiber reinforcements business) was sold to Owens Corning. The related assets and liabilities were classified as held for sale in the consolidated balance sheet at June 30, 2007 and until October 31, 2007, the effective date of the transaction. The division's external sales for the first ten months of 2007 amounted to €558 million.

2006

In 2005, the Group acquired the entire capital stock of China-based Xugang (Xuzhou General Iron and Steel Works) for €83 million, or €94 million including assumed net debt. As this acquisition was authorized by the Chinese authorities in late December 2005, the company – which reported sales of €126 million in 2006 – was consolidated from January 1, 2006.

In first-half 2006, the Group acquired the entire capital stock of Ireland-based JP Corry, which was consolidated from June 1, 2006. JP Corry's estimated full-year sales for 2006 amounted to €151 million.

The Group also entered into an agreement to sell Saint-Gobain Calmar to the MeadWestvaco group. Saint-Gobain Calmar's assets and liabilities were classified as held for sale from January 26, 2006, the date the sale process was announced, through June 30, 2006, the effective date of the sale. The sub-group's consolidated sales for first-half 2006 totaled €182 million.

Impact on the consolidated balance sheet

The impact on the balance sheet at December 31, 2008 of changes in Group structure and in consolidation methods was as follows:

(in € millions)	First-time consolidation of Maxit	Other acquired companies	Divested companies
Impact on assets			
Non-current assets	2,023	755	(39)
Inventories	154	151	(22)
Trade accounts receivable	200	107	(46)
Other current assets excluding cash and cash equivalents	10	75	1
	2,387	**1,088**	**(106)**
Impact on equity and liabilities			
Shareholders' equity and minority interests	1	7	(10)
Provisions for pensions and other employee benefits	37	11	(1)
Non-current liabilities	67	25	(5)
Trade accounts payable	73	127	(25)
Other payables and accrued expenses	122	68	(15)
	300	**238**	**(56)**
Enterprise value of consolidated companies acquired/divested (a)	**2,087**	**850**	**(50)**
Impact on consolidated net debt*			
Impact on cash and cash equivalents	17	85	(8)
Impact on net debt excluding cash and cash equivalents (b)	576	135	(8)
	559	**50**	**0**
Acquisitions/disposals of shares in consolidated companies net of cash acquired/divested (a) - (b)	**1,511**	**715**	**(42)**

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

Assets and liabilities held for sale

The US fiber reinforcements business was discontinued during 2008 and its assets and liabilities were therefore no longer reported as held for sale in the consolidated balance sheet at December 31, 2008.

The assets and liabilities of the Reinforcements and Composites business were classified as held for sale in the consolidated balance sheet at June 30, 2007. The sale of the business on November 1, 2007 had no further impact on the income statement in light of the one-off provision booked at June 30, 2007. Only the US fiber reinforcements business continued to be classified as held for sale in the consolidated balance sheet at December 31, 2007.

In 2006, the Group launched a process to sell its Flasks business (Saint-Gobain Desjonquères group) and the assets and liabilities of the business were therefore classified as held for sale in the consolidated balance sheet at December 31, 2006. The sale was completed at the end of the first quarter of 2007.

In accordance with IAS 12, a deferred tax liability relating to the cumulative reserves carried in respect of the Saint-Gobain Desjonquères business was recognized in 2006 for an amount of €10 million, and subsequently reversed when the sale was completed on March 31, 2007.

Changes in assets and liabilities held for sale over the last two years were as follows:

(in € millions)	Assets	Liabilities	Provisions
At December 31, 2006	**548**	**249**	**0**
Reclassifications to held for sale	950	278	
Additions to provisions			161
Disposals, reclassifications and other movements	(1,333)	(486)	(101)
At December 31, 2007	**165**	**41**	**60**
Reclassifications to held for sale			
Additions to provisions			
Disposals, reclassifications and other movements	(165)	(41)	(60)
At December 31, 2008	**0**	**0**	**0**

Assets and liabilities held for sale break down as follows:

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Goodwill and other intangible assets	0	3	6
Property, plant and equipment, net	0	89	220
Other non-current assets	0	2	9
Inventories, trade accounts receivable and other accounts receivable	0	71	298
Cash and cash equivalents	0	0	15
Total assets held for sale	**0**	**165**	**548**
Provisions for pensions and other employee benefits	0	3	18
Deferred tax liabilities and other non-current liabilities	0	11	29
Trade accounts payable, other payables and accrued expenses, and other current liabilities	0	17	158
Short-term debt and bank overdrafts	0	10	44
Total liabilities held for sale	**0**	**41**	**249**

NOTE 3 – GOODWILL

(in € millions)	**2008**	**2007**	**2006**
At January 1			
Gross value	9,440	9,481	9,756
Accumulated impairment	(200)	(154)	(38)
Net	**9,240**	**9,327**	**9,718**
Movements during the year			
Changes in Group structure	2,076	540	28
Impairment	(68)	(82)	(125)
Translation adjustments	(577)	(469)	(289)
Reclassification to assets held for sale	0	(76)	(5)
Total	**1,431**	**(87)**	**(391)**
At December 31			
Gross value	10,924	9,440	9,481
Accumulated impairment	(253)	(200)	(154)
Net	**10,671**	**9,240**	**9,327**

Movements in goodwill during 2008 were due mainly to the acquisition of the Maxit group (acquisition cost: €2,087 million including assumed net debt; provisional goodwill: €1,539 million – see Note 2) and of various Building Distribution companies, mainly in Scandinavia, the United Kingdom, the Baltic countries and France (see Note 2).

Movements in goodwill in 2007 mainly reflected the acquisition of Izocam (acquisition cost: €111 million, including €42 million in 2007; goodwill: €67 million); Norandex in the United States (acquisition cost: €273 million, goodwill: €152 million); and various other acquisitions in the Building Distribution sector, mainly in France, the United Kingdom, Germany, the Netherlands and Spain.

Movements in goodwill in 2006 concerned several acquisitions in the Building Distribution sector, mainly in France, the United Kingdom and Scandinavia, partly offset by decreases stemming from divestments made in the year (see Note 2). Impairment losses recognized in 2006 concerned mainly the North American Bottles and Jars business for €89 million.

NOTE 4 – OTHER INTANGIBLE ASSETS

(in € millions)	Patents	Non-amortizable brands	Software	Development costs	Other	Total
At January 1, 2006						
Gross value	145	2,822	584	35	291	3,877
Accumulated amortization and impairment	(119)		(407)	(6)	(149)	(681)
Net	**26**	**2,822**	**177**	**29**	**142**	**3,196**
Movements during the year						
Changes in Group structure	(7)		50	1	(35)	9
Acquisitions		1	42	11	40	94
Disposals			(1)	(1)	(3)	(5)
Translation adjustments		20	(7)		(8)	5
Amortization and impairment	(3)		(76)	(7)	(10)	(96)
Reclassification to assets held for sale			(1)			(1)
Total	**(10)**	**21**	**7**	**4**	**(16)**	**6**
At December 31, 2006						
Gross value	111	2,843	630	46	267	3,897
Accumulated amortization and impairment	(95)		(446)	(13)	(141)	(695)
Net	**16**	**2,843**	**184**	**33**	**126**	**3,202**
Movements during the year						
Changes in Group structure	3	18	36	1	(15)	43
Acquisitions			57	6	45	108
Disposals			(1)		(2)	(3)
Translation adjustments	(1)	(98)	(6)		(7)	(112)
Amortization and impairment	(2)		(77)	(13)	(15)	(107)
Reclassification to assets held for sale			(3)	(2)	(1)	(6)
Total	**0**	**(80)**	**6**	**(8)**	**5**	**(77)**
At December 31, 2007						
Gross value	106	2,763	631	47	279	3,826
Accumulated amortization and impairment	(90)		(441)	(22)	(148)	(701)
Net	**16**	**2,763**	**190**	**25**	**131**	**3,125**
Movements during the year						
Changes in Group structure	1		46	1	(26)	22
Acquisitions			43	8	28	79
Disposals			(3)		1	(2)
Translation adjustments		(250)	(8)		(2)	(260)
Amortization and impairment	(2)		(76)	(7)	(11)	(96)
Total	**(1)**	**(250)**	**2**	**2**	**(10)**	**(257)**
At December 31, 2008						
Gross value	113	2,513	684	54	276	3,640
Accumulated amortization and impairment	(98)		(492)	(27)	(155)	(772)
Net	**15**	**2,513**	**192**	**27**	**121**	**2,868**

The "Other" column includes amortizable manufacturing brands totaling €47 million at December 31, 2008 (December 31, 2007: €48 million; December 31, 2006: €52 million).

In April 2008, European companies in the Group returned the final greenhouse gas emissions allowances allocated for the period 2005-2007. The aggregate allowances issued to Saint-Gobain companies under the 2005-2007 program exceeded the Group's total greenhouse gas emissions. At December 31, 2008, allowances issued to the Group under the 2008-2012 program represented some 6.9 million metric tons of CO_2 emissions per year.
The 2008 allowances are equivalent to forecast greenhouse gas emissions for the year; consequently, no provision has been recorded in the accounts in this respect.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

(in € millions)	Land and quarries	Buildings	Machinery and equipment	Assets under construction	Total
At January 1, 2006					
Gross value	2,026	6,739	18,603	1,389	28,757
Accumulated depreciation and impairment	(257)	(3,252)	(12,411)	(17)	(15,937)
Net	**1,769**	**3,487**	**6,192**	**1,372**	**12,820**
Movements during the year					
Changes in Group structure and reclassifications	12	42	(98)	12	(32)
Acquisitions	57	94	501	1,556	2,208
Disposals	(62)	(42)	(50)	(22)	(176)
Translation adjustments	(27)	(64)	(193)	(42)	(326)
Depreciation and impairment	(32)	(288)	(1,180)	(5)	(1,505)
Reclassification to assets held for sale	(4)	(45)	(135)	(36)	(220)
Transfers		310	968	(1,278)	0
Total	**(56)**	**7**	**(187)**	**185**	**(51)**
At December 31, 2006					
Gross value	1,961	6,859	18,040	1,579	28,439
Accumulated depreciation and impairment	(248)	(3,365)	(12,035)	(22)	(15,670)
Net	**1,713**	**3,494**	**6,005**	**1,557**	**12,769**
Movements during the year					
Changes in Group structure and reclassifications	(2)	39	30	7	74
Acquisitions	86	149	528	1,529	2,292
Disposals	(24)	(37)	(42)	(17)	(120)
Translation adjustments	(38)	(83)	(153)	(49)	(323)
Depreciation and impairment	(33)	(274)	(1,223)	(6)	(1,536)
Reclassification to assets held for sale	(9)	(77)	(225)	(92)	(403)
Transfers		299	944	(1,243)	0
Total	**(20)**	**16**	**(141)**	**129**	**(16)**
At December 31, 2007					
Gross value	1,971	6,944	17,643	1,704	28,262
Accumulated depreciation and impairment	(278)	(3,434)	(11,779)	(18)	(15,509)
Net	**1,693**	**3,510**	**5,864**	**1,686**	**12,753**
Movements during the year					
Changes in Group structure and reclassifications	130	228	302	0	660
Acquisitions	94	135	600	1,334	2,163
Disposals	(17)	(26)	(31)	(12)	(86)
Translation adjustments	(70)	(203)	(279)	(46)	(598)
Depreciation and impairment	(36)	(273)	(1,195)	(14)	(1,518)
Transfers		417	1,135	(1,552)	0
Total	**101**	**278**	**532**	**(290)**	**621**
At December 31, 2008					
Gross value	2,116	7,554	19,078	1,415	30,163
Accumulated depreciation and impairment	(322)	(3,766)	(12,682)	(19)	(16,789)
Net	**1,794**	**3,788**	**6,396**	**1,396**	**13,374**

Acquisitions of property, plant and equipment during 2008 included assets acquired under finance leases for an amount of €14 million (2007: €19 million; 2006: €17 million). These finance leases are not included in the cash flow statement in accordance with IAS 7. At December 31, 2008, total property, plant and equipment acquired under finance leases amounted to €201 million (December 31, 2007: €190 million; December 31, 2006: €210 million) (see Note 25).

In 2008, "Changes in Group structure and reclassifications" primarily corresponded to the €438 million impact of the Maxit acquisition.

NOTE 6 – INVESTMENTS IN ASSOCIATES

(in € millions)	**2008**	**2007**	**2006**
At January 1			
Equity in associates	106	224	131
Goodwill	17	14	8
Investments in associates	**123**	**238**	**139**
Movements during the year			
Changes in Group structure	(9)	(114)	107
Translation adjustments	(6)	(4)	(11)
Transfers, share issues and other movements	1	(3)	1
Dividends paid	(4)	(8)	(5)
Share in net income of associates	11	14	7
Total	**(7)**	**(115)**	**99**
At December 31			
Equity in associates	98	106	224
Goodwill	18	17	14
Investments in associates	**116**	**123**	**238**

At December 31, 2008, investments in associates amounted to €116 million (December 31, 2007: €123 million). They included shares in Compania Industrial El Volcan, which is listed on the Santiago de Chile stock exchange. Saint-Gobain's equity in Compania Industrial El Volcan's consolidated net assets was only slightly greater than the market value of the shares at December 31, 2008 due to the recent stock market volatility, but was significantly more than the shares' average market value over the year.

The decrease in investments in associates in 2007 was primarily due to the change in consolidation method for Izocam and Saint-Gobain Envases SA, which had a negative impact of €113 million.

Changes in Group structure in 2006 chiefly reflected the first-time consolidation – by the equity method – of Izocam (Turkey) and Saint-Gobain Envases SA (Chile) for a total of €116 million. At December 31, 2006, the market value of the Izocam shares owned by Saint-Gobain (based on the price quoted on the Istanbul stock exchange) approximated the carrying amount of the Group's equity in Izocam's net assets.

Net sales recorded in the individual financial statements of associates totaled €798 million in 2008 (2007: €939 million; 2006: €1,004 million) and aggregate net income totaled €34 million (2007: €42 million; 2006: €54 million). At December 31, 2008, total assets and liabilities of these companies amounted to €766 million and €448 million, respectively (December 31, 2007: €849 million and €493 million; December 31, 2006: €917 million and €524 million).

NOTE 7 – OTHER NON-CURRENT ASSETS

(in € millions)	Available-for-sale and other securities	Capitalized loans and deposits	Plan surpluses	Total
At January 1, 2006				
Gross value	193	262	31	486
Provisions for impairment in value	(32)	(11)		(43)
Net	**161**	**251**	**31**	**443**
Movements during the year				
Changes in Group structure	(119)			(119)
Increases/(decreases)	9	(37)	90	62
Movements in provisions for impairment in value		4		4
Translation adjustments		(9)	(1)	(10)
Transfers and other movements		10		10
Total	**(110)**	**(32)**	**89**	**(53)**
At December 31, 2006				
Gross value	75	225	120	420
Provisions for impairment in value	(24)	(6)		(30)
Net	**51**	**219**	**120**	**390**
Movements during the year				
Changes in Group structure	(1)	(4)		(5)
Increases/(decreases)	78	(11)	31	98
Movements in provisions for impairment in value	(2)	1		(1)
Translation adjustments		(5)	(4)	(9)
Transfers and other movements		(1)		(1)
Total	**75**	**(20)**	**27**	**82**
At December 31, 2007				
Gross value	145	205	147	497
Provisions for impairment in value	(19)	(6)		(25)
Net	**126**	**199**	**147**	**472**
Movements during the year				
Changes in Group structure	(61)	17		(44)
Increases/(decreases)	9	(2)	89	96
Movements in provisions for impairment in value		(2)		(2)
Translation adjustments	(4)	(6)	(30)	(40)
Transfers and other movements		8		8
Total	**(56)**	**15**	**59**	**18**
At December 31, 2008				
Gross value	86	227	206	519
Provisions for impairment in value	(16)	(13)		(29)
Net	**70**	**214**	**206**	**490**

The decrease in "Available-for-sale and other securities" in 2008 was primarily due to the consolidation of companies acquired at the end of 2007. As explained in Note 1, these securities are measured at fair value.

The decrease in "Available-for-sale and other securities" in 2006 was mainly due to the consolidation of Xugang, which was acquired by the Group at the end of 2005 (see Note 2).

The net increase in provisions for impairment in 2008 reflects €5 million in additions (2007: €3 million; 2006: €3 million) and €3 million in reversals (2007: €2 million; 2006: €7 million).

NOTE 8 – INVENTORIES

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Gross value			
Raw materials	1,491	1,335	1,312
Work in progress	274	283	291
Finished goods	4,754	4,639	4,426
Gross inventories	**6,519**	**6,257**	**6,029**
Provisions for impairment in value			
Raw materials	(97)	(95)	(98)
Work in progress	(7)	(9)	(10)
Finished goods	(302)	(320)	(292)
Provisions for impairment in value	**(406)**	**(424)**	**(400)**
Net	**6,113**	**5,833**	**5,629**

In 2008, cost of sales came to €32,923 million (2007: 32,235 million; 2006: €31,180 million).

Impairment losses on inventories recorded in the 2008 income statement totaled €128 million (2007: €159 million). Impairment reversals, due to increases in the net realizable value of inventories, amounted to €92 million in 2008 (2007: €94 million) and were recorded as a deduction from impairment losses for the year.

NOTE 9 – TRADE AND OTHER ACCOUNTS RECEIVABLE

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Gross value	6,084	6,595	6,687
Provisions for impairment in value	(437)	(384)	(386)
Trade accounts receivable	**5,647**	**6,211**	**6,301**
Advances to suppliers	561	635	582
Prepaid payroll taxes	26	23	22
Other prepaid and recoverable taxes (other than income tax)	356	327	293
Accrued income	13	12	14
Other	476	489	485
- France	*179*	*122*	*116*
- Other western European countries	*134*	*156*	*168*
- North America	*(11)*	*16*	
- Emerging countries and Asia	*174*	*195*	*201*
Provisions for impairment in value	(8)	(5)	(6)
Other receivables	**1,424**	**1,481**	**1,390**

In 2008, a total of €101 million was added to provisions for impairment of trade and other accounts receivable (2007: €76 million; 2006: €56 million) and €57 million was released in respect of recoveries or bad debts (2007: €74 million; 2006: €75 million). Bad debt write-offs are also reported under this caption, for €58 million in 2008 (2007: €44 million; 2006: €48 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 €845 million at December 31, 2008 (including €156 million over three months past-due), versus €765 million at December 31, 2007 and €777 million at December 31, 2006. The increase in 2008 was mainly due to changes in Group structure.

NOTE 10 – EQUITY

Number of shares outstanding

At December 31, 2008, Compagnie de Saint-Gobain's capital stock comprised 382,571,985 shares of common stock with a par value of €4 each, all in the same class (December 31, 2007: 374,216,152 shares; December 31, 2006: 368,419,723 shares).

During 2008, 8,272,947 new shares were issued to members of the 2008 Group Savings Plan and 82,886 shares were issued on exercise of stock options (of which 50,489 options included in the November 20, 2003 plan, 31,597 options included in the November 18, 2004 plan and 800 options included in the November 17, 2005 plan).

At the Shareholders' Meeting of June 7, 2007, shareholders authorized the Board of Directors of Compagnie de Saint-Gobain to:

- Issue, on one or several occasions, up to 147.5 million new shares with or without pre-emptive or priority subscription rights for existing shareholders (twelfth, thirteenth, fourteenth and fifteenth resolutions).
- Issue, on one or several occasions, up to 18.5 million new shares to members of the Group Savings Plan (sixteenth resolution).
- Grant stock options exercisable for shares representing up to 3% of capital stock on the Meeting date, i.e. 11,214,726 options exercisable for the same number of shares (seventeenth resolution). In the eighteenth resolution, the Board was authorized to make stock grants representing up to 1% of the capital stock on the Meeting date, i.e. grants of 3,738,242 shares. If this authorization were to be used, the stock grants would be deducted from the shares available for the stock option plan.

If these authorizations and earlier authorizations to grant stock options (see Note 11) were used in full, this would potentially have the effect of increasing the number of shares outstanding to 565,551,958.

The Board of Directors used these authorizations to grant 3,673,000 stock options on November 22, 2007 (subsequently reduced to 3,623,000 options) and 3,551,900 options on November 20, 2008.

In addition, at the Shareholders' Meeting of June 5, 2008, the Board of Directors was authorized to issue equity warrants in the event of a public tender offer for the Company's shares, in accordance with the French Act of March 31, 2006 on takeover bids (fourteenth resolution). Under this authorization, the Group may issue up to €375 million worth of stock (excluding premiums), representing 93,750,000 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, 2008, 4,545,149 shares were held in treasury (December 31, 2007: 4,375,969; December 31, 2006: 6,739,668).

No shares were directly purchased on the market in 2008 or 2007 (2006: 1,976,708 shares). A total of 115,490 shares were sold upon exercise of stock options (2007: 2,460,265; 2006: 3,620,201). No shares were cancelled in 2008, 2007 or 2006.

The liquidity contract set up with Exane BNP Paribas on November 16, 2007 was rolled over in 2008. 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 2008, 2,829,382 shares were purchased and 2,614,235 shares were sold under the contract (2007: 243,277 shares purchased and 146,711 shares sold).

In view of their highly liquid nature, funds allocated to the liquidity contract but not invested in Saint-Gobain stock are classified as cash and cash equivalents.

NOTE 11 – STOCK OPTION PLANS

Compagnie de Saint-Gobain has stock option plans available to certain employees, and an employee stock purchase plan referred to as the Group Savings Plan ("PEG").

Stock options are exercisable for Saint-Gobain shares at a price based on the average share price for the 20 trading days preceding the grant date. Since 1999, no stock options have been granted at a discount to the average price. Some plans are performance stock option plans.

Since the November 2007 plan, all stock options are subject to a four-year vesting period. Under earlier plans, the vesting period was three years for non-residents and four years for residents. Options must be exercised within ten years of the date of grant. All rights to options are forfeited if the holder leaves the Group, unless expressly agreed otherwise by both the Chairman of Compagnie de Saint-Gobain and the Appointments Committee of the Board of Directors.

All options granted between 1999 and 2002 were exercisable for existing shares, while those granted between 2003 and 2007 were exercisable for new shares. For the November 20, 2008 plan, the origin of the shares will be determined at the latest at the end of the four-year vesting period. If an option holder were to die or any of the events provided for in the General Tax Code were to occur during the four-year vesting period, only options exercisable for new shares would vest.

Movements relating to stock options outstanding in 2006, 2007 and 2008 are summarized below:

	€4 par value shares	Average exercise price (in €)
Options outstanding at December 31, 2005	**21,738,119**	**38.06**
Options granted	4,025,800	58.08
Options exercised	(3,974,551)	34.79
Options forfeited	(241,400)	40.26
Options outstanding at December 31, 2006	**21,547,968**	**42.38**
Options granted	3,673,000	71.56
Options exercised	(3,178,885)	33.04
Options forfeited	(50,000)	58.10
Options outstanding at December 31, 2007	**21,992,083**	**48.56**
Options granted	3,551,900	28.62
Options exercised	(198,376)	33.33
Options forfeited	(50,000)	71.56
Options outstanding at December 31, 2008	**25,295,607**	**45.84**

At December 31, 2008, 12,127,557 options were exercisable at an average exercise price of €39.21.
At that date, 4,039,826 options were available for grant under the authorization given by the Shareholders' Meeting of June 7, 2007. This figure represents an overall ceiling for stock options and stock grants.

Stock option expense recorded in the income statement amounted to €41 million in 2008 (2007: €43 million; 2006: €39 million).
The fair value of options granted in 2008 amounted to €22 million. Fair value was calculated using a Black & Scholes-type option pricing model and the same assumptions as those used to measure the expense in accordance with IFRS 2.

The table below summarizes information about stock options outstanding at December 31, 2008:

Grant date	Options exercisable			Options not exercisable		Total options outstanding	Type of options
	Exercise price (in €)	Number of options	Weighted average remaining contractual life (in months)	Exercise price (in €)	Number of options	Number of options	
1999	40.63	324,124	11			324,124	Purchase
2000	37.72	865,760	23			865,760	Purchase
2001	40.22	1,708,804	35			1,708,804	Purchase
2002	23.53	1,183,825	47			1,183,825	Purchase
2003	35.67	2,675,491	59			2,675,491	Subscription
2004	43.56	3,630,853	71	43.56		3,630,853	Subscription
2005	45.71	1,738,700	83	45.71	2,018,550	3,757,250	Subscription
2006	58.08		95	58.08	3,974,600	3,974,600	Subscription
2007	71.56		107	71.56	3,623,000	3,623,000	Subscription
2008	28.62		119	28.62	3,551,900	3,551,900	Subscription or purchase
Total		**12,127,557**			**13,168,050**	**25,295,607**	

Following the four-for-one stock split of June 27, 2002, the number of options under the 1999, 2000 and 2001 plans has been multiplied by four in order to permit meaningful year-on-year comparisons.

NOTE 12 – GROUP SAVINGS PLAN ("PEG")

The PEG employee stock purchase plan is open to all Group employees in France and in most other countries where the Group does business. Eligible employees must have completed a minimum of three months' service with the Group. The 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 2008, the Group issued 8,272,947 shares with a par value of €4 (2007: 4,981,609 shares) to members of the PEG, for a total of €353 million (2007: €294 million).

In addition to 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 €8.4 million in 2008 (2007: €11.9 million), net of the lock-up cost for employees of €29.8 million (2007: €30.3 million).

The following table shows the main features of the standard plans, the amounts invested in the plans and the valuation assumptions applied in 2008 and 2007.

		2008	2007
	Plan characteristics		
	Grant date	February 22	February 23
	Plan duration (in years)	5 or 10	5 or 10
	Benchmark price (in €)	51.75	72.56
	Purchase price (in €)	41.41	58.05
	Discount (in %)	20.00%	20.00%
(a)	Total discount on the grant date (in %)	22.05%	21.11%
	Employee investments (€millions)	168.7	205.4
	Total number of shares purchased	4,073,045	3,539,025
	Valuation assumptions		
	Employees interest rate (**1**)	7.57%	7.36%
	5-year risk-free interest rate	3.61%	4.02%
	Repo rate	0.25%	0.25%
(b)	Lock-up cost (in %)	17.17%	15.24%
(c)	Total cost to the Group (in %) **(a-b)**	4.88%	5.87%

(1) A 0.5-point decline in borrowing costs for the employee would have an impact of €3.1 million on 2008 cost as calculated in accordance with IFRS 2.

Leveraged plans

Under the leveraged plans introduced in 2007 and 2008, eligible employees are offered the opportunity to invest in Saint-Gobain stock at a 15% discount. The yield profile of the leveraged plans 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 intermediation allows to secure the initial funding, to secure the yield for the employee and to increase the indexation on a leveraged number of directly subscribed shares.
The plan costs are calculated under IFRS 2 in the same way as for non-leveraged plans (see Note 1), but also take into account the advantage accruing to employees who have access to share prices with a volatility profile adapted to institutional investors (corresponding to the opportunity gain in the table below).

The leveraged plan cost recorded in the income statement amounted to €8.5 million in 2008 (2007: €4.2 million), net of the lock-up cost for employees and the opportunity gain of €29.9 million (2007: €14.2 million).

The following table shows the main features of the leveraged plans, the amounts invested in the plans and the valuation assumptions applied in 2008 and 2007.

		2008	2007
	Plan characteristics		
	Grant date	February 22	February 23
	Plan duration (in years)	5	5
	Benchmark price (in €)	51.75	72.56
	Purchase price (in €)	43.99	61.68
	Discount (in %)	15.00%	15.00%
(a)	Total discount on the grant date (in %)	17.18%	16.19%
	Employee investments (€millions)	18.5	8.9
	Total investment in the plan (€millions)	184.8	89.0
	Total number of shares purchased	4,199,902	1,442,584
	Valuation assumptions		
	Employees interest rate (**1**)	7.57%	7.36%
	5-year risk-free interest rate	3.61%	4.02%
	Repo rate	0.25%	0.25%
	Retail/institutional volatility spread (**2**)	5.50%	4.00%
(b)	Lock-up cost (in %) **(3)**	15.00%	15.00%
(c)	Opportunity gain (in %)	1.62%	1.65%
(d)	Total cost to the Group (in %) **(a-b+c)**	3.80%	2.84%

(1) A 0.5-point decline in borrowing costs for the employee would have no impact on the 2008 cost as calculated in accordance with IFRS 2 because the lock-up cost exceeds the discount.

(2) A 0.5-point increase in the retail/institutional rate spread would have an impact of €0.5 million on the 2008 cost as calculated in accordance with IFRS 2.

(3) The interest rate used to calculate the lock-up cost is capped at the discount percentage.

NOTE 13 – PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Pensions	1,681	1,058	1,415
Length-of-service awards	207	233	236
Post-employment healthcare benefits	367	341	363
Total provisions for pensions and other post-employment benefit obligations	2,255	1,632	2,014
Healthcare benefits	50	44	51
Long-term disability benefits	38	38	45
Other long-term benefits	100	93	93
Provisions for pensions and other employee benefits	**2,443**	**1,807**	**2,203**

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

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Projected benefit obligations	2,255	1,632	2,014
Plan assets	206	147	120
Net projected benefit obligations	**2,049**	**1,485**	**1,894**

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

(in € millions)	**Pension obligations**	**Fair value of plan assets**	**Other**	**Pensions and other post-employment benefit obligations**
At January 1, 2006	**8,765**	**(5,773)**	**211**	**3,203**
Movements during the year				
Service cost	217			217
Interest cost/return on plan assets	417	(387)		30
Employer contributions		(855)		(855)
Employee contributions		(26)		(26)
Actuarial gains and losses and asset ceiling	(225)	(182)	(17)	(424)
Translation adjustment	(212)	132		(80)
Benefit payments	(446)	307		(139)
Past service cost				0
Changes in Group structure	36	(15)		21
Curtailments/settlements	(3)			(3)
Other	(5)		(45)	(50)
Total	**(221)**	**(1,026)**	**(62)**	**(1,309)**
At December 31, 2006	**8,544**	**(6,799)**	**149**	**1,894**
Movements during the year				
Service cost	200			200
Interest cost/return on plan assets	430	(451)		(21)
Employer contributions		(157)		(157)
Employee contributions		(25)		(25)
Actuarial gains and losses and asset ceiling	(463)	195	61	(207)
Translation adjustment	(525)	468	(4)	(61)
Benefit payments	(439)	350		(89)
Past service cost				0
Changes in Group structure	(35)	14	(6)	(27)
Curtailments/settlements	(13)			(13)
Other			(9)	(9)
Total	**(845)**	**394**	**42**	**(409)**
At December 31, 2007	**7,699**	**(6,405)**	**191**	**1,485**
Movements during the year				
Service cost	167			167
Interest cost/return on plan assets	420	(431)		(11)
Employer contributions		(172)		(172)
Employee contributions		(22)		(22)
Actuarial gains and losses and asset ceiling	(583)	1,147	83	647
Translation adjustment	(560)	629	(27)	42
Benefit payments	(440)	341		(99)
Past service cost				0
Changes in Group structure	137	(92)		45
Curtailments/settlements	(3)			(3)
Other	(34)	29	(25)	(30)
Total	**(896)**	**1,429**	**31**	**564**
At December 31, 2008	**6,803**	**(4,976)**	**222**	**2,049**

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

December 31, 2008 *(in € millions)*	France	Other western European countries	North America	Rest of the world	Net total
Projected benefit obligation - funded plans	319	3,610	1,995	86	6,010
Projected benefit obligation - unfunded plans	177	225	361	30	793
Fair value of plan assets	136	3,437	1,332	71	4,976
Deficit	360	398	1,024	45	1,827
Unrecognized past service cost					0
Asset ceiling					137
Insured plans					85
Pensions and other post-employment benefit obligations					**2,049**
Plan surpluses classified as assets held for sale					0
Provisions for pensions and other post-employment benefit obligations classified as liabilities held for sale					0
Provisions for pensions and other post-employment benefit obligations					**2,049**

December 31, 2007 *(in € millions)*	France	Other western European countries	North America	Rest of the world	Net total
Projected benefit obligation - funded plans	326	4,648	1,818	114	6,906
Projected benefit obligation - unfunded plans	192	242	336	23	793
Fair value of plan assets	171	4,496	1,632	106	6,405
Deficit	347	394	522	31	1,294
Unrecognized past service cost					0
Asset ceiling					81
Insured plans					110
Pensions and other post-employment benefit obligations					**1,485**
Plan surpluses classified as assets held for sale					0
Provisions for pensions and other post-employment benefit obligations classified as liabilities held for sale					0
Provisions for pensions and other post-employment benefit obligations					**1,485**

December 31, 2006 *(in € millions)*	France	Other western European countries	North America	Rest of the world	Net total
Projected benefit obligation - funded plans	328	5,366	1,958	123	7,775
Projected benefit obligation - unfunded plans	190	150	411	18	769
Fair value of plan assets	166	4,784	1,742	107	6,799
Deficit	352	732	627	34	1,745
Unrecognized past service cost					0
Asset ceiling					21
Insured plans					142
Pensions and other post-employment benefit obligations					**1,908**
Prepaid pension costs classified as assets held for sale					2
Provisions for pensions and other post-employment benefit obligations classified as liabilities held for sale					16
Provisions for pensions and other post-employment benefit obligations					**1,894**

Description of defined benefit plans

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

In France, in addition to length-of-service awards, there are three defined benefit plans all of which are final salary plans. These plans were closed to new entrants by the companies concerned between 1969 and 1997.

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

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

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

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

Provisions for other long-term employee benefits amounted to €188 million at December 31, 2008 (December 31, 2007: €175 million; December 31, 2006: €189 million), and covered all other employee benefits, notably long-service awards in France, jubilees in Germany and employee benefits in the United States. The related projected benefit obligation is generally calculated on an actuarial basis using the same rules as for pension obligations.

Measurement of pension and other post-employment benefit obligations

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

The Group's total pension and other post-employment benefit obligations amounted to €6,803 million at December 31, 2008 (December 31, 2007: €7,699 million; December 31, 2006: €8,544 million).

Plan assets

For defined benefit plans, plan assets have been progressively built up by contributions, primarily in the United States, the United Kingdom and Germany. Contributions paid by the Group totaled €172 million in 2008 (2007: €157 million; 2006: €855 million). The actual return on plan assets was a negative €716 million in 2008 (2007: positive return of €256 million; 2006: positive return of €569 million).
Contributions for 2006 included exceptional payments of €672 million, of which €516 million to transfer a substantial portion of German pension obligations to an external fund.

The fair value of plan assets – which came to €4,976 million at December 31, 2008 (December 31, 2007: €6,405 million; December 31, 2006: €6,799 million) – is deducted from the Group's projected benefit obligation, as estimated using the projected unit credit method, in order to calculate the unfunded obligation to be covered by a provision.

Plan assets are mainly composed of equities (46%) and bonds (46%), with the remaining 8% invested in other asset classes.

Actuarial assumptions used to measure projected benefit obligations and plan assets

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

The assumptions used in 2008 for the main plans were as follows:

(in %)	France	Other European countries		United States
		Euro zone	United Kingdom	
Discount rate	6.25%	6.25%	6.35%	6.25%
Salary increases	2.40%	2.75% to 3.25%	4.20% to 4.50%	3.00%
Expected return on plan assets	5.00%	3.50% to 5.25%	6.25%	8.75%
Inflation rate	2.00%	1.90% to 2.75%	2.75%	2.00%

The assumptions used in 2007 for the main plans were as follows:

(in %)	France	Other European countries		United States
		Euro zone	United Kingdom	
Discount rate	5.50%	5.50%	5.75%	6.25%
Salary increases	2.40%	2.50% to 3.60%	3.65% to 4.25%	3.00%
Expected return on plan assets	5.00%	3.50% to 6.50%	6.50% to 6.90%	8.75%
Inflation rate	1.70%	1.80% to 3.50%	3.15%	2.00%

A 0.5-point decrease in the discount rate would lead to an increase in projected benefit obligations of around €142 million for the US plans, €110 million for the euro-zone plans and €175 million for the UK plans.

The same assumptions concerning mortality, employee turnover and interest rates are used to determine the Group's projected benefit obligations for other long-term employee benefits. In the United States, retirees' healthcare costs are projected to rise by 9% per year. A 1-point increase in this rate would lead to an increase in the related projected benefit obligation of around €41 million.

Expected rates of return on plan assets are estimated by country and by plan, taking into account the different classes of assets held by the plan and the outlook in the various financial markets. The markets' poor performance in 2008, due to the financial crisis, severely affected the overall actual return on plan assets. The expected return on plan assets was €431 million; however, the actual return was a negative €716 million. A 0.5-point increase or decrease in the expected return on plan assets would have an impact of approximately €27 million on income.

Actuarial gains and losses

In 2006, the Group elected to apply the option available under IAS 19 and record in equity actuarial gains and losses, and asset ceiling change (see Note 1). In 2008, €647 million was recognized in equity (increase in provisions). This amount includes €564 million in actuarial differences and €83 million corresponding to an increase in the asset ceiling. In 2007, €207 million was recognized in equity (decrease in provisions). Experience adjustments (corresponding to the effects of differences between previous actuarial assumptions and what has actually occurred) led to a €25 million increase in the projected benefit obligation and a €1,147 million reduction in plan assets.

Plan surpluses and the asset ceiling

When plan assets exceed the projected benefit obligation, the excess is recognized in other non-current assets under "Plan surplus" (see Note 7) provided that it corresponds to future economic benefits. If no future economic benefits are available, the plan surplus is reduced by applying the asset ceiling and adjusting 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 €85 million at December 31, 2008 (December 31, 2007: €110 million; December 31, 2006: €142 million).

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

No plan surpluses or provisions for pensions and other post-employment benefits were classified as assets and liabilities held for sale in accordance with IFRS 5 at December 31, 2008. Plan surpluses and provisions for pensions and other post-employment benefits classified as assets and liabilities held for sale at December 31, 2007 and December 31, 2006 amounted to €2 million and €18 million respectively (see Note 2).

Employee benefits expense

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

(in € millions)	**2008**	**2007**	**2006**
Service cost	167	200	217
Interest cost	420	430	417
Return on plan assets	(431)	(451)	(387)
Amortization of actuarial gains and losses		0	0
Curtailments and settlements	(3)	(13)	(3)
Pensions, length-of-service awards and other post-employment benefits	153	166	244
Employee contributions	(22)	(25)	(26)
Total	**131**	**141**	**218**

Additional information about pension costs

Pension contributions for 2008 represented an estimated €874 million (2007: €772 million), including €419 million for government-sponsored basic pension schemes (2007: €388 million), €127 million for government-sponsored supplementary pension schemes, mainly in France (2007: €123 million), and €328 million for corporate-sponsored supplementary pension plans (2007: €261 million), of which €267 million for defined benefit plans (2007: €205 million) and €61 million for defined contribution plans (2007: €56 million).

NOTE 14 – CURRENT AND DEFERRED TAXES

Until December 31, 2006, Compagnie de Saint-Gobain was assessed for income tax on its consolidated taxable income. Under this arrangement, the Group's share of the aggregate amount of income taxes paid by Group companies included in the worldwide tax group was taken into account when determining consolidated taxable income. Since January 1, 2007, tax consolidation only applies at a local level.

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

(in € millions)	**2008**	**2007**	**2006**
Net income	1,437	1,543	1,682
less:			
Share in net income of associates	11	14	7
Income taxes	(638)	(926)	(899)
Pre-tax income of consolidated companies	**2,064**	**2,455**	**2,574**

Income tax expense breaks down as follows:

(in € millions)	**2008**	**2007**	**2006**
Current taxes	**(639)**	**(821)**	**(802)**
France	(150)	(144)	(184)
Outside France	(489)	(677)	(618)
Deferred taxes	**1**	**(105)**	**(97)**
France	(16)	(13)	(63)
Outside France	17	(92)	(34)
Total income tax expense	**(638)**	**(926)**	**(899)**

The effective tax rate paid by the Group on its consolidated taxable income in 2006 was as follows:

(in %)	**2006**
Current income tax rate	33
French surtax	0
Royalties and net capital gains taxed at lower rates	(1)
Other deferred and miscellaneous taxes	3
Effective tax rate	**35**

The effective tax rate paid by the Group under the new tax system applicable as from 2007 was as follows:

(in %)	2007	2008
Tax rate in France	34.4	34.4
Impact of tax rates outside France	(5.7)	(4.7)
Provision for competition litigation not deductible for tax purposes	8.2	4.2
Taxable capital gains	(2.9)	1.8
Valuation allowance on deferred tax assets	2.1	(0.1)
Tax loss carryforwards	(1.2)	(0.1)
Other deferred and miscellaneous taxes	2.6	(4.7)
Effective tax rate	**37.5**	**30.8**

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

(in € millions)	Net deferred tax liability
At January 1, 2006	**702**
Deferred tax expense/(benefit)	97
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (Note 13)	131
Translation adjustments	31
Impact of changes in Group structure and other	(87)
At December 31, 2006	**874**
Deferred tax expense/(benefit)	105
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (Note 13)	67
Translation adjustments	(12)
Impact of changes in Group structure and other	(85)
At December 31, 2007	**949**
Deferred tax expense/(benefit)	(1)
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (Note 13)	(228)
Translation adjustments	(111)
Impact of changes in Group structure and other	14
At December 31, 2008	**623**

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

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
Deferred tax assets	507	328	348
Deferred tax liabilities	(1,130)	(1,277)	(1,222)
Net deferred tax liability	**(623)**	**(949)**	**(874)**
Pensions	561	465	641
Brands	(781)	(844)	(889)
Depreciation & amortization, accelerated capital allowances and untaxed provisions	(992)	(1,029)	(1,127)
Tax loss carryforwards	140	97	181
Other	449	362	320
Total	**(623)**	**(949)**	**(874)**

Since January 1, 2007, deferred taxes are offset at the level of each tax entity, i.e., by tax group where applicable (France, the United Kingdom, Spain, Germany and the United States).

Deferred tax assets of €507 million were recognized in 2008 (2007: €328 million), including €372 million in the United States (2007: €214 million). Deferred tax liabilities recognized in 2008 amounted to €1,130 million (2007: €1,277 million), including €457 million in France (2007: €460 million) and €271 million in the United Kingdom (2007: €392 million). Deferred tax liabilities recognized in other countries represented considerably smaller amounts.

Deferred tax assets whose recovery is not considered probable totaled €175 million at December 31, 2008 and €198 million at December 31, 2007.

NOTE 15 – OTHER CURRENT AND NON-CURRENT LIABILITIES AND PROVISIONS

(in € 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, 2006								
Current portion	131	23	98	21	74	73	260	680
Non-current portion	245	122	99	32	83	164	130	875
Total	**376**	**145**	**197**	**53**	**157**	**237**	**390**	**1,555**
Movements during the year								
Additions	98	14	142	20	82	87		443
Reversals	(1)	(2)	(16)	(6)	(21)	(17)		(63)
Utilizations	(78)	(12)	(124)	(12)	(43)	(30)		(299)
Changes in Group structure			(2)			4	(7)	(5)
Other (reclassifications and translation adjustments)	(34)	(14)	4	1	(11)	15	(189)	(228)
Total	**(15)**	**(14)**	**4**	**3**	**7**	**59**	**(196)**	**(152)**
At December 31, 2006								
Current portion	103	25	110	25	72	104	28	467
Non-current portion	258	106	91	31	92	192	166	936
Total	**361**	**131**	**201**	**56**	**164**	**296**	**194**	**1,403**
Movements during the year								
Additions	786	21	117	34	81	84		1,123
Reversals	(1)	(2)	(32)	(7)	(22)	(37)		(101)
Utilizations	(79)	(10)	(119)	(13)	(48)	(34)		(303)
Changes in Group structure					7	3	(10)	0
Other (reclassifications and translation adjustments)	(39)	6	(7)	2	(10)	50	(94)	(92)
Total	**667**	**15**	**(41)**	**16**	**8**	**66**	**(104)**	**627**
At December 31, 2007								
Current portion	224	31	84	31	80	78	19	547
Non-current portion	804	115	76	41	92	284	71	1,483
Total	**1,028**	**146**	**160**	**72**	**172**	**362**	**90**	**2,030**
Movements during the year								
Additions	528	12	75	28	59	157		859
Reversals	(1)	(7)	(17)	(7)	(24)	(132)		(188)
Utilizations	(198)	(11)	(73)	(15)	(49)	(32)		(378)
Changes in Group structure		8	3		13	17	(2)	39
Other (reclassifications and translation adjustments)	(21)	10	(7)	(2)	57	(20)	31	48
Total	**308**	**12**	**(19)**	**4**	**56**	**(10)**	**29**	**380**
At December 31, 2008								
Current portion	95	24	80	32	81	120	28	460
Non-current portion	1,241	134	61	44	147	232	91	1,950
Total	**1,336**	**158**	**141**	**76**	**228**	**352**	**119**	**2,410**

Provisions for claims and litigation

In 2008, provisions for claims and litigation covered potential costs arising from investigations by the competition authorities involving the Flat Glass sector and from asbestos-related litigation. These provisions are described in further detail in Note 26.

In view of developments in the competition authorities' investigation and the appeal lodged by the Group, as well as the estimated duration of the appeal procedure and the period covered by the financial guarantee, the provision at December 31, 2008 is classified in "Other non-current liabilities" and the provision at December 31, 2007 has been reclassified in "Other non-current liabilities" in the 2007 comparative financial information.

Provisions for environmental risks

Provisions for environmental risks cover costs relating to environmental protection measures, as well as site rehabilitation and clean-up costs (see Note 27).

Provisions for restructuring costs

Provisions for restructuring costs came to €141 million at December 31, 2008 (December 31, 2007: €160 million; December 31, 2006: €201 million), including net additions of €58 million during the year. The provisions primarily concern Germany (€32 million), the United Kingdom (€24 million), Benelux (€23 million) and the United States (€17 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.

Provisions for other contingencies

At December 31, 2008, provisions for other contingencies amounted to €352 million and mainly concerned France (€108 million), the United States (€74 million), Germany (€59 million), Latin America (€36 million), Italy (€23 million) and Spain (€22 million).

Investment-related liabilities

In 2008, changes in investment-related liabilities primarily concerned additional purchase consideration and deferred payments on acquisitions.

In 2007, changes in this item mainly reflected buyouts of minority interests in the Flat Glass sector. Investment-related liabilities at end-2007 included additional purchase consideration and deferred payments on acquisitions in the Building Distribution, Packaging and Construction Products sectors.

At December 31, 2006, investment-related liabilities included mainly additional purchase consideration and put options granted to minority interests in the Flat Glass and Packaging sectors.

NOTE 16 – TRADE AND OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Trade accounts payable	**5,613**	**5,752**	**5,519**
Customer deposits	641	647	591
Payable to suppliers of non-current assets	400	478	402
Grants received	63	54	53
Accrued personnel expenses	1,022	1,023	1,006
Accrued taxes other than on income	421	410	378
Other	843	813	906
- France	*221*	*166*	*139*
- Germany	*65*	*76*	*73*
- United Kingdom	*90*	*136*	*153*
- Other western European countries	*193*	*167*	*214*
- North America	*76*	*82*	*109*
- Emerging countries and Asia	*198*	*186*	*218*
Total other payables and accrued expenses	**3,390**	**3,425**	**3,336**

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

NOTE 17 – RISK FACTORS

MARKET RISKS (LIQUIDITY, INTEREST RATE, FOREIGN EXCHANGE, ENERGY AND CREDIT RISKS)

Liquidity risk on financing

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.

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

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

The US Commercial Paper, Euro Commercial Paper, and *Billets de Trésorerie* programs are backed by confirmed syndicated and bilateral lines of credit.

A breakdown of long- and short-term debt is provided by type and maturity in Note 18. Details of amounts, currencies, and acceleration clauses of the Group's financing programs and confirmed credit lines are also discussed in Note 18.

Liquidity risk on short-term 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 risk

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 parent company.

The objective of interest rate risk management processes is to fix the cost of medium-term debt and optimize annual borrowing costs. 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 €22 million increase in equity and a €12 million reduction in income.

Foreign exchange risk

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 exposure arising from current and future commercial transactions. The subsidiaries set up options exclusively through the Group parent company, Compagnie de Saint-Gobain, which then takes a reverse position on the market.

Most forward contracts are for periods of around three months. However, forward contracts taken out to hedge firm orders may have terms of up to two years.

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

The exposure of other Group companies to foreign exchange risks is hedged wherever possible with Compagnie de Saint-Gobain on receipt of orders sent by the subsidiaries, or with the 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 the Group's subsidiaries. At December 31, 2008, 94% of the Group's foreign exchange position was hedged.

The net foreign exchange exposure of subsidiaries whose functional currency is not those presented below was as follows at December 31, 2008:

(in millions of euro equivalents)	**Long**	**Short**
EUR	8	10
USD	17	21
Other currencies	1	2
Total	**26**	**33**

Based on a sensitivity analysis at December 31, 2008, a 10% increase in the exchange rates of the main currencies used by subsidiaries would have the following negative impact on net income:

(in € millions)	**Net gain or loss**
EUR	(0.2)
USD	(0.5)

A 10% fall in exchange rates would have had a positive impact on net income in the same amounts (assuming that all other variables were unchanged).

Energy risk

The Group limits its exposure to energy price fluctuations by using swaps and options to hedge part of its natural gas purchases in certain European countries and the United States, and its fuel oil purchases in Europe. The swaps

and options are contracted in the functional currency of the entities concerned. Hedges of gas and fuel oil purchases are managed by a steering committee comprising members of the Group Finance Department, the Group Purchasing Department (Saint-Gobain Achats - SGA) and the relevant delegations.

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

The steering committee does not manage hedges of energy purchases or purchases in geographical areas not mentioned above because:

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

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

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

Credit risk

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 by Moody's, with a stable outlook in both cases. Concentrations of credit risks are closely monitored to ensure that they remain at reasonable levels.

Note 19 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 net debt by currency and interest rate (fixed or variable), as well as the interest rate repricing schedule.

NOTE 18 – NET DEBT

Long- and short-term debt

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

(in € millions)	**2008**	**2007**	**2006**
Bond issues and Medium Term Notes	7,604	8,048	6,223
Perpetual bonds and participating securities	203	203	203
Acquisition-related bank borrowings	2,034		2,989
Other long-term debt including finance leases	320	358	464
Debt recognized at fair value under the fair value option	157	146	
Fair value of interest rate hedges	47	(8)	(2)
Total long-term debt (excluding current portion)	**10,365**	**8,747**	**9,877**
o/w long-term portion of accrued interest	1	2	
Current portion of long-term debt	**1,364**	**971**	**993**
Short-term financing programs (US CP, Euro CP and *Billets de Trésorerie*)	690		221
Bank overdrafts and other short-term bank borrowings	798	922	1,331
Securitization	462	591	652
Fair value of derivatives relating to borrowings not qualified as hedges	(63)	(9)	(7)
Short-term debt and bank overdrafts	**1,887**	**1,504**	**2,197**
TOTAL GROSS DEBT	**13,616**	**11,222**	**13,067**
Cash and cash equivalents	(1,937)	(1,294)	(1,468)
TOTAL NET DEBT INCLUDING ACCRUED INTEREST	**11,679**	**9,928**	**11,599**

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounted to €10 billion at December 31, 2008, for a carrying amount of €11 billion.

Long-term debt repayment schedule

Gross long-term debt at December 31, 2008 can be analyzed as follows by maturity:

(in € millions)	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues and Medium Term Notes	EUR	999	4,508	2,431	7,938
	GBP	0	0	628	628
	Other	0	37	0	37
Perpetual bonds and participating securities	EUR	0	0	203	203
Acquisition-related bank borrowing	EUR	0	2,034	0	2,034
Other long-term debt including finance lease	All currencies	117	239	80	436
Debt recognized at fair value under the fair value option	EUR	0	157	0	157
Fair value of interest rate hedges	EUR	0	47	0	47
TOTAL, EXCLUDING ACCRUED INTEREST		**1,116**	**7,022**	**3,342**	**11,480**

At December 31, 2008, future interest payments on gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain were due as follows:

(in € millions)	Within 1 year	1 to 5 years	Beyond 5 years	Total
Future interest payments on gross long-term debt	540	1,187	663	2,390
TOTAL, EXCLUDING ACCRUED INTEREST	**540**	**1,187**	**663**	**2,390**

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

Bond issues

On June 13, 2008, Saint-Gobain Nederland redeemed a GBP 150 million bond issue that had reached maturity.

On July 9, 2008, Saint-Gobain Nederland redeemed a €364.5 million bond issue that had reached maturity.

On September 16, 2008, Compagnie de Saint-Gobain carried out a €750 million five-year bond issue, due September 16, 2013.

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, 2008, 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 since been bought back on the market. At December 31, 2008, 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.

Net interest paid on participating securities for 2008 came to €10.5 million (2007: €10.5 million).

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, 2008, issuance under these programs was as follows:

Programs (in millions of currency units)	Currency	Maturities	Authorized program at December 31, 2008	Outstanding issues December 31, 2008	Outstanding issues December 31, 2007	Outstanding issues December 31, 2006
Medium Term Notes	EUR	1 to 30 years	10,000	3,917	3,356	968
US commercial paper	USD	Up to 12 months	1,000 *	-	-	100
Euro commercial paper	USD	Up to 12 months	1,000 *	-	-	-
Billets de trésorerie	EUR	Up to 12 months	3,000	690	-	145

* Equivalent to €718.6 million based on the exchange rate at December 31, 2008.

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

Syndicated and bilateral lines of credit

Compagnie de Saint-Gobain's US Commercial Paper, Euro Commercial Paper and *Billets de Trésorerie* programs are backed by a €2,000 million confirmed syndicated line of credit expiring in November 2011 and seven bilateral credit lines totaling €680 million at December 31, 2008.

The facility agreements for the bilateral credit lines include acceleration clauses whereby any drawdowns would become immediately repayable or the facility would be cancelled in the following cases:

- Failure to comply with either of the following ratios (assessed annually):
  - Ratio of net debt to operating income excluding depreciation and amortization of property, plant and equipment and intangible assets below 3.75.
  - Interest cover (income before tax and net borrowing costs/net borrowing costs) above 3.

  These covenants are included in the facility agreements for three bilateral lines representing €290 million.
- Default on bank borrowings in excess of certain ceilings.

No drawdowns were made against any of these facilities in 2008.

In 2005, a €9 billion syndicated line of credit was obtained to finance the acquisition of the BPB group and refinance certain debts of the BPB and Saint-Gobain groups. This facility is composed of three tranches: a three-year loan, a five-year loan, and a five-year revolving credit facility. At December 31, 2007, the three- and five-year loans had been repaid in full. The €500 million portion of the revolving facility granted for general corporate purposes expiring in August 2010 has not been drawn down and is therefore currently available.

The acceleration clause in the syndicated facility agreement would be triggered in the following cases:

- Failure to comply with either of the following ratios (assessed every six months):
  - Ratio of net debt to operating income excluding depreciation and amortization of property, plant and equipment and intangible assets below 3.75.
  - Interest cover (EBITA/net borrowing costs) above 3.5.
- Default on bank borrowings in excess of €40 million.

Saint-Gobain complied with all of these covenants at December 31, 2008.

In October 2007, the Group obtained a €2,125 million syndicated credit facility to finance the Maxit acquisition. The facility included a tranche with a one-year rollover option. This facility was drawn down in full in March 2008. In October 2008, an addendum to the facility agreement was signed, pushing back the expiration date to October 2010 and reducing the amount to €2,040 million. At December 31, 2008, this amount was fully drawn down.

Bank overdrafts and other short-term bank borrowings

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

Receivables securitization programs

The Group has set up two securitization programs through its US subsidiary, Saint-Gobain Receivables Corporation, and its UK subsidiary, Jewson Ltd. Neither of the programs transfer the credit risk to the financial institution.

The US program amounted to €275 million at December 31, 2008 (December 31, 2007: €373 million).

The difference between the face value of the sold receivables and the sale proceeds is treated as a financial expense, and amounted to €13 million in 2008 (2007: €22.4 million).

The UK program amounted to €187 million at December 31, 2008 (December 31, 2007: €218 million), and the financial expense came to €9 million (2007: €12.9 million).

Collateral

At December 31, 2008, €45 million of Group debt was secured by various non-current assets (real estate and securities).

NOTE 19 - FINANCIAL INSTRUMENTS

Derivatives

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

(in €millions)	Fair value at December 31, 2008			Fair value at December 31, 2007	Notional amount by maturity at December 31, 2008			
	Derivatives with a positive fair value (assets)	Derivatives with a negative fair value (liabilities)	Total		Within 1 year	1 to 5 years	Beyond 5 years	Total
Fair value hedges								
Interest rate swaps			0	(1)				**0**
Fair value hedges - total	**0**	**0**	**0**	**(1)**	**0**	**0**	**0**	**0**
Cash flow hedges								
Forward currency contracts	1	(24)	(23)	0	196			**196**
Currency swaps	1	(4)	(3)		79			**79**
Currency options	2	(1)	1			21		**21**
Interest rate swaps		(47)	(47)	9		1,250		**1,250**
Commodity and other swaps	1	(85)	(84)	2	215	21		**236**
Cash flow hedges - total	**5**	**(161)**	**(156)**	**11**	**490**	**1,292**	**0**	**1,782**
Derivatives not qualifying for hedge accounting								
Interest rate swaps	2		2	(9)		155		**155**
Cross-currency swaps			0	13				**0**
Currency swaps	72	(8)	64	5	2,648	12		**2,660**
Forward foreign exchange contracts	4	(2)	2	6	92			**92**
Derivatives not qualifying for hedge accounting - total	**78**	**(10)**	**68**	**15**	**2,740**	**167**	**0**	**2,907**
TOTAL	**83**	**(171)**	**(88)**	**25**	**3,230**	**1,459**	**0**	**4,689**
o/w derivatives used to hedge net debt	75	(59)	16	17				

- 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.

- Currency options and forward foreign exchange contracts

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

- Commodity and other swaps

Commodity and other swaps are used to hedge the risk of changes in the price of certain purchases used in the subsidiaries' operating activities, particularly heavy fuel oil purchases in Europe and natural gas purchases in the United States and certain European countries.

Impact on equity of financial instruments qualifying for hedge accounting

At December 31, 2008, the cash flow hedging reserve carried in equity in accordance with IFRS had a credit balance of €156 million, breaking down as follows:

- €47 million unrealized loss corresponding to the remeasurement at fair value of interest rate swaps designated as cash flow hedges of the April 2007 bond issue.
- €109 million unrealized loss corresponding to the remeasurement at fair value of hedges of natural gas and fuel oil purchases, 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 €68 million at December 31, 2008 (December 31, 2007: €15 million).

Embedded derivatives

Saint-Gobain regularly analyzes its contracts in order to separately identify financial instruments classified as embedded derivatives under IFRS. At December 31, 2008, no embedded derivatives deemed to be material at Group level were identified.

Group debt structure

The weighted average interest rate on total debt under IFRS, after hedging (using currency swaps and interest rate swaps) was 5.2% at December 31, 2008 (December 31, 2007: 5.1%).

The average internal rates of return for the main components of long-term debt before hedging were as follows in 2008, 2007 and 2006:

Internal rate of return on long-term debt at December 31 (in %)	2008	2007	2006
Bonds and Medium Term Notes	4.96%	4.96%	5.07%
Perpetual bonds and participating securities	5.92%	5.98%	5.55%
Acquisition-related bank borrowings	5.47%	-	4.10%

The table below presents the breakdown by currency and by interest rate (fixed or variable) of the Group's net debt at December 31, 2008, after giving effect to interest rate swaps and currency swaps.

Net debt	**After hedging**		
(in € millions)	**Variable rate**	**Fixed rate**	**Total**
EUR	1,674	8,144	9,818
GBP	101	628	729
USD	358	36	394
SEK	286	4	290
Other currencies	45	141	186
TOTAL	**2,464**	**8,953**	**11,417**
	22%	78%	100%
Fair value of related derivatives			(16)
Accrued interest			278
TOTAL NET DEBT			**11,679**

Interest rate repricing schedule for financial assets and debt

The table below shows the interest rate repricing schedule at December 31, 2008 for debt and financial assets after hedging:

(in € millions)	**Within 1 year**	**1 to 5 years**	**Beyond 5 years**	**Total**
Gross debt	5,764	4,742	3,110	13,616
Impact of interest rate swaps	(1,250)	1,250		0
Cash and cash equivalents	(1,937)			(1,937)
NET DEBT AFTER HEDGING	**2,577**	**5,992**	**3,110**	**11,679**

NOTE 20 - FINANCIAL ASSETS AND LIABILITIES

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

(in €millions)	Notes	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Loans and receivables				
- Trade and other accounts receivable	(9)	7,071	7,692	7,691
- Loans and deposits	(7)	214	199	219
Available-for-sale financial assets				
- Available-for-sale and other securities	(7)	70	126	51
Financial assets at fair value through profit or loss				
- Derivatives with a positive fair value (assets)	(19)	75	37	19
- Cash and cash equivalents	(18)	1,937	1,294	1,468
Financial liabilities at amortized cost				
- Trade and other accounts payable	(16)	(9,003)	(9,177)	(8,855)
- Long- and short-term debt	(18)	(13,468)	(11,080)	(13,058)
Financial liabilities at fair value				
- Long- and short-term debt	(18)	(164)	(159)	(18)
- Derivatives recorded in liabilities	(19)	(59)	(20)	(10)

NOTE 21 – BUSINESS INCOME BY EXPENSE TYPE

(in € millions)	**2008**	**2007**	**2006**
Net sales	**43,800**	**43,421**	**41,596**
Personnel costs:			
Salaries and payroll taxes	(8,021)	(7,888)	(7,745)
Share-based payments[a]	(58)	(58)	(58)
Pensions	(173)	(199)	(226)
Depreciation and amortization	(1,511)	(1,521)	(1,522)
Other[b]	(30,388)	(29,647)	(28,331)
Operating income	**3,649**	**4,108**	**3,714**
Gains on disposals of assets[c]	53	394	175
Negative goodwill recognized in income	1	11	9
Other business income	**54**	**405**	**184**
Restructuring costs[d]	(190)	(172)	(213)
Provisions and expenses relating to claims and litigation[e]	(472)	(784)	(95)
Impairment of assets[f]	(181)	(375)	(211)
Other	(46)	(26)	(57)
Other business expense	**(889)**	**(1,357)**	**(576)**
Business income	**2,814**	**3,156**	**3,322**

(a) The cost of share-based payments under the Group Savings Plan amounted to €17 million in 2008 (2007: €16 million; 2006: €19 million) (see Notes 11 and 12). This cost was recognized in full at the end of the offer period, on April 10, 2008.

(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. It also includes net foreign exchange gains or losses, representing a net gain of €18 million in 2008 (2007: virtually nil; 2006: net loss of €4 million).
In 2008, research and development costs recorded under operating expenses amounted to €377 million (2007: €393 million; 2006: €362 million).

(c) Gains on disposals of assets totaled €53 million in 2008 (2007: €394 million; 2006: €175 million). The increase in this item in 2007 was mainly due to the capital gain on the disposal of the Saint-Gobain Desjonquères group (see Note 2).

(d) Restructuring costs in 2008 mainly consisted of employee termination benefits in an amount of €127 million (2007: €105 million; 2006: €133 million).

(e) In all three years 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 15 and 26.

(f) Impairment losses on assets in 2008 included €68 million on goodwill (2007: €82 million; 2006: €125 million), €6 million on intangible assets (2007: €6 million; 2006: €4 million) and €97 million on property, plant and equipment (2007: €106 million; 2006: €75 million). The balance corresponded to impairment losses on financial assets and current assets. In 2007, impairment losses also included a €161 million write-down of assets classified as held for sale (see Note 2).

NOTE 22 – NET FINANCIAL EXPENSE

Breakdown of other financial income and expense

(in € millions)	**2008**	**2007**	**2006**
Interest cost - pension and other post-employment benefit obligations	(428)	(440)	(428)
Return on plan assets	431	451	387
Interest cost - pension and other post-employment benefit obligations - net	**3**	**11**	**(41)**
Other financial expense	(71)	(115)	(102)
Other financial income	25	29	20
Other financial income and expense	**(43)**	**(75)**	**(123)**

Recognition of financial instruments

Net financial expense amounted to €750 million in 2008 (2007: €701 million; 2006: €748 million). Of this amount, €600.5 million (2007: €523.6 million; 2006: €492.3 million) concerned instruments carried by Compagnie de Saint-Gobain and Saint-Gobain Nederland at amortized cost. Instruments measured at fair value by these two entities resulted in a positive impact of €6.3 million (2007: €3.5 million; 2006: €1.6 million).

NOTE 23 – RECURRING NET INCOME AND CASH FLOW FROM OPERATIONS

Recurring net income totaled €1,914 million in 2008 (2007: €2,114 million; 2006: €1,702 million). Based on the weighted average number of shares outstanding at December 31 (374,998,085 shares in 2008, 367,124,675 shares in 2007 and 341,048,210 shares in 2006), recurring earnings per share amounted to €5.10 in 2008, €5.76 in 2007 and €4.99 in 2006.

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

(in € millions)	**2008**	**2007**	**2006**
Net income	**1,378**	**1,487**	**1,637**
Less:			
Gains on disposals of assets	53	394	175
Impairment of assets	(181)	(375)	(211)
Provision for competition litigation	(400)	(694)	0
Non-recurring charges to provisions for warranties	(51)	0	0
Impact of minority interests	6	(2)	(3)
Tax impact	37	50	(26)
Recurring net income	**1,914**	**2,114**	**1,702**

Cash flow from operations for the year amounted to €3,487 million (2007: €3,762 million; 2006: €3,347 million). Excluding tax on capital gains and losses, cash flow from operations came to €3,487 million (2007: €3,712 million; 2006: €3,373 million).

These amounts are calculated as follows:

(in € millions)	**2008**	**2007**	**2006**
Net income attributable to equity holders of the parent	**1,378**	**1,487**	**1,637**
Minority interests in net income	59	56	45
Share in net income of associates, net of dividends received	(7)	(6)	(2)
Depreciation, amortization and impairment of assets	1,681	1,875	1,717
Gains and losses on disposals of assets	(53)	(394)	(175)
Charge to provision for competition litigation	400	694	0
Non-recurring charges to provisions for warranties	51	0	0
Unrealized gains and losses arising from changes in fair value and share-based payments	15	50	125
Cash flow from operations	**3,524**	**3,762**	**3,347**
Tax on capital gains and losses	(37)	(50)	26
Cash flow from operations before tax on capital gains and losses	**3,487**	**3,712**	**3,373**

NOTE 24 – EARNINGS PER SHARE

The calculation of earnings per share is shown below.

(in € millions)	**Net income attributable to equity holders of the parent**		**Number of shares**	**Earnings per share (in €)**
2008				
Weighted average number of shares outstanding	**1,378**		374,998,085	**3.67**
Weighted average number of shares assuming full dilution	**1,378**		376,825,178	**3.66**
2007				
Weighted average number of shares outstanding	**1,487**		367,124,675	**4.05**
Weighted average number of shares assuming full dilution	**1,487**		374,344,930	**3.97**
2006				
Weighted average number of shares outstanding	**1,637**		341,048,210	**4.80**
Weighted average number of shares assuming full dilution	**1,652**	(1)	363,809,234	**4.54**

(1) In 2006, net interest on the Océane convertible bonds (€15 million) was canceled for the calculation of diluted earnings per share.

The weighted average number of shares outstanding is calculated by deducting treasury stock (4,545,149 shares at December 31, 2008) from the average number of shares outstanding during the year.

The weighted average number of shares assuming full dilution is calculated based on the weighted average number of shares outstanding, assuming conversion of all dilutive instruments. The Group's dilutive instruments include stock options – corresponding to a weighted average of 1,827,093 shares in 2008, 7,220,255 shares in 2007 and 5,284,991 shares in 2006 – and, for 2006, Océane bonds convertible into 17,476,033 shares.

NOTE 25 – 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 18 and 19, 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, 2008, €64 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 €201 million at December 31, 2008 (December 31, 2007: €190 million).

(in € millions)	**2008**	**2007**
Future minimum lease payments		
Within 1 year	48	48
1 to 5 years	106	96
Beyond 5 years	28	33
Total	**182**	**177**
Less finance charge	(17)	(21)
Present value of future minimum lease payments	**165**	**156**

- **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 €696 million in 2008, corresponding to rental expense of €713 million – of which €437 million for property leases – less €17 million in revenue from subleases.

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

(in € millions)	Total 2008	Payments due			Total 2007
		Within 1 year	1 to 5 years	Beyond 5 years	
Operating leases					
Rental expense	3,246	641	1,507	1,098	3,090
Subletting revenue	(91)	(14)	(30)	(47)	(133)
Total	**3,155**	**627**	**1,477**	**1,051**	**2,957**

- **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 € millions)	Total 2008	Payments due			Total 2007
		Within 1 year	1 to 5 years	Beyond 5 years	
Non-cancelable purchase commitments					
- non-current assets	131	119	10	2	317
- raw materials	684	232	346	106	717
- services	126	43	80	3	90
- other	220	129	82	9	152
Total	**1,161**	**523**	**518**	**120**	**1,276**

- **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 €120 million at December 31, 2008 (December 31, 2007: €92 million).

- **Commercial commitments**

(in € millions)	Total 2008	Commitments due			Total 2007
		Within 1 year	1 to 5 years	Beyond 5 years	
Security for borrowings	35	20	6	9	9
Written put options	0				0
Other commitments given	132	58	40	34	140
Total	**167**	**78**	**46**	**43**	**149**

At December 31, 2008, pledged assets amounted to €228 million (December 31, 2007: €242 million) and mainly concerned fixed assets in India.

Guarantees given to the Group in respect of receivables amounted to €89 million at December 31, 2008 (December 31, 2007: €115 million).

NOTE 26 – LITIGATION

Asbestos-related litigation in France

In France, further individual lawsuits were filed in 2008 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 676 such lawsuits have been issued against the two companies since 1997.

At December 31, 2008, 567 of these 676 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 €2 million in compensation in settlement of these lawsuits.

Concerning the 109 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2008, the merits of 35 have been decided but the compensation awards have not yet been made, pending issue of medical reports. In 30 cases, the Social Security authorities were ordered to pay compensation to the victims for procedural reasons (statute of limitations, non-opposability). In the other five cases, no ruling has yet been handed down on the validity or otherwise of the lawsuit.

Out of the 74 remaining lawsuits, four were dismissed following a claim made to the French Asbestos Victims Compensation Fund (FIVA). At December 31, 2008, the procedures relating to the merits of the other 70 cases were at different stages: 11 were being investigated by the French Social Security authorities, 52 were pending before the Social Security courts and seven before the Courts of Appeal.

In addition, as of December 31, 2008, 110 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 December 31, 2008, eight lawsuits had been abandoned following the decision by the employees concerned to seek compensation from the French Asbestos Victims Compensation Fund (FIVA).

At that date, 64 lawsuits had been completed. In 12 of these cases, the employer was held liable for inexcusable fault. However, these rulings did not have any financial impact on the companies concerned.

For the 38 suits outstanding at December 31, 2008, arguments were being prepared by the French Social Security authorities in four cases, 22 were pending before the Social Security courts, ten before the Courts of Appeal and two before the Supreme 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 the employees or former employees of the companies. The claims are based on alleged exposure to the products, although in many instances the claimants cannot demonstrate any specific exposure to one or more products, or any specific illness or physical disability. The vast majority of these claims are made simultaneously against many other non-Group entities which have been manufacturers, distributors, installers or users of products containing asbestos.

- **Developments in 2008**

After three years marked by high numbers of claims filed against CertainTeed (60,000 in 2001, 67,000 in 2002, and 62,000 in 2003, compared with 19,000 in 2000), new claims filed fell to 18,000 in 2004, and subsequently dropped to 17,000 in 2005, to 7,000 in 2006, to 6,000 in 2007 and to about 5,000 in 2008.

This decline was felt over the last four years in most States, particularly in those which had seen the greatest numbers of claims in the previous years. This decline reflects State court rulings as well as changes in local legislation in various States to introduce stricter medical criteria for new claims.

Almost all of the claims against CertainTeed are settled out of court. Approximately 8,000 of the pending claims were settled out of court in 2008, compared with 54,000 in 2003, 20,000 in 2004 and in 2005, 12,000 in 2006, and 8,000 in 2007. In addition, approximately 3,000 claims (mainly in the State of New York) were transferred to "inactive dockets" further to court rulings. Taking into account the 74,000 outstanding claims at the end of 2007 and the new claims having arisen during the year, as well as claims settled or placed in inactive docket, some 68,000 claims were outstanding at December 31, 2008. A large number of these pending claims were filed more than five years ago by individuals without any significant asbestos-related impairment, and it is likely that many of these claims ultimately will be dismissed.

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

The Group recorded a €75 million charge in 2008 to cover future developments in relation to claims involving CertainTeed. This amount is slightly lower than the €90 million recorded in 2007, the €95 million recorded in 2006, the €100 million recorded in 2005, the €108 million recorded in 2004, and the €100 million recorded in 2002 and 2003. At December 31, 2008, the Group reserve for asbestos-related claims against CertainTeed in the United States amounted to €361 million (USD 502 million), compared to €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 2008 but only paid out in 2008, and those fully resolved and paid in 2008, and compensation paid (net of insurance) in 2008 by other Group businesses in connection with asbestos-related litigation, amounted to €48 million (USD 71 million), compared to €53 million (USD 73 million) in 2007, and €67 million (USD 84 million) in 2006.

- **Outlook for 2009**

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

***

In Brazil, former Group employees suffering from asbestos-related occupational illness are offered either exclusively financial compensation or lifetime medical assistance combined with financial assistance. Only a small number of asbestos-related lawsuits were outstanding at December 31, 2008 and they do not represent a material risk for the companies concerned.

***

Ruling by the European Commission following the investigation into the construction glass and automotive glass industries

In November 2007 and 2008, the European Commission issued its decisions concerning, respectively, the construction glass industry and the automotive glass industry.

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

In the November 12, 2008 decision concerning its investigation into automotive glass manufacturers, the European Commission held that Saint-Gobain Glass France, Saint-Gobain Sekurit France and Saint-Gobain Sekurit Deutschland GmbH had violated Article 81 of the Treaty of Rome and fined them €896 million. Compagnie de Saint-Gobain was held jointly and severally liable for the payment of this amount.

The companies concerned believe the fine is excessive and disproportionate, and have appealed the decision before the Court of First Instance of the European Communities.

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

As a result of these developments, the €694 million provision set aside at December 31, 2007, which was reduced to €560 million at June 30, 2008 following payment of the €134 million fine, was increased to €960 million at December 31, 2008 to cover the €896 million fine, together with the cost of the bond and the estimated legal cost over the appeal period. The additional €400 million set aside in the second half of 2008 was recorded in "Other business expense".

NOTE 27 – ENVIRONMENT – HEALTH – SAFETY (EHS)

Environmental assets

Costs incurred to mitigate or prevent environmental risks are capitalized when they are expected to generate future economic benefits that will flow to the Group. The costs relate to environmental management and clean-up equipment, investments in raw material and waste recycling solutions, measures to reduce consumption of energy and certain raw materials, as well as research into improving product life cycles.

Environmental liabilities

When the Group considers that it is exposed to an environmental risk, a provision for the estimated future cost is recorded in provisions for other liabilities and charges. Environmental provisions amounted to €158 million at December 31, 2008 (December 31, 2007: €146 million; December 31, 2006: €131 million).

The provisions are discounted on a case-by-case basis according to when the risk is expected to materialize. This is particularly the case for provisions covering the cost of dismantling and retiring assets and site restoration costs. However, when the timing of the risk cannot be estimated reliably, the provision is considered as short-term and is not discounted.

Environmental risks and manufacturing facilities governed by specific environmental regulations are overseen by the Environment, Health and Safety Department.

NOTE 28 – RELATED-PARTY TRANSACTIONS

Balances and transactions with associates

(in € millions)	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2006**
Assets			
Finance receivables	2	2	11
Inventories	1	0	1
Short-term receivables	11	9	16
Cash and cash equivalents	0	0	1
Provisions for impairment in value	0	0	
Liabilities			
Short-term debt	4	1	7
Cash advances	0	0	4
Expenses			
Purchases	21	17	86
Income			
Sales	45	41	66

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 2008, these revenues amounted to €8 million (2007: €4 million; 2006: €3 million).

Transactions with key shareholders

Some Group subsidiaries, particularly in the Building Distribution sector, carry out transactions with subsidiaries of the Wendel group (mainly Legrand and Materis). Business relations between the two groups have not changed since Wendel increased its interest in the Group in the second half of 2007, and transactions are carried out on an arm's length basis.

NOTE 29 – JOINT VENTURES

The amounts recorded in the 2008 balance sheet and income statement corresponding to the Group's interest in its proportionately consolidated companies are as follows:

- Non-current assets: €303 million.
- Current assets: €163 million.
- Non-current liabilities: €35 million.
- Current liabilities: €142 million.
- Sales: €320 million.
- Operating expenses: €257 million.

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 2008:

(in € millions)	**2008**
Attendance fees	0.8
Direct and indirect compensation (gross):	
- fixed portion	8.0
- variable portion	5.4
Estimated compensation cost - pensions and other employee benefits (IAS 19)	1.4
Expense relating to stock options	10.7
Termination benefits	1.5
Total	27.8

Employers' social security contributions relating to the above compensation represented an estimated €3.3 million.

NOTE 31 – EMPLOYEES

Average number of employees	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2006**
Fully consolidated companies			
Managers	22,674	22,258	22,648
Administrative employees	84,589	82,734	80,078
Other employees	99,205	101,642	103,095
Total	**206,468**	**206,634**	**205,821**
Proportionately consolidated companies (*)			
Managers	126	42	52
Administrative employees	548	323	264
Other employees	911	650	702
Sub-total	**1,585**	**1,015**	**1,018**
Total	**208,053**	**207,649**	**206,839**

* Proportion of headcount allocated to the Group.

At December 31, 2008, the total number of Group employees – including in proportionately consolidated companies – was 207,684 (December 31, 2007: 204,880; December 31, 2006: 205,864).

NOTE 32 – SEGMENT INFORMATION

Segment information by sector and division

Segment information is presented as follows:

- Flat Glass Sector
- High-Performance Materials (HPM) Sector
- Construction Products (CP) Sector
  - ➢ Interior Solutions: Insulation and Gypsum
  - ➢ Exterior Solutions: Mortars, Pipe and Exterior Fittings
- Building Distribution Sector
- Packaging Sector

Management uses several different internal indicators to measure operational performance and to make resource allocation decisions. These indicators are based on the data used to prepare the consolidated financial statements and meet financial reporting requirements. Intragroup ("internal") sales are generally carried out 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.

(in € millions)	FLAT GLASS	HIGH-PERFORMANCE MATERIALS	CONSTRUCTION PRODUCTS				BUILDING DISTRIBUTION	PACKAGING	Other *	**Total**
2008			Interior Solutions	Exterior Solutions	Elimi-nations	Total				
External sales	5,502	4,032	5,538	5,482		11,020	19,692	3,547	7	43,800
Internal sales	47	133	611	437	-33	1,015	4	0	-1,199	0
Net sales	5,549	4,165	6,149	5,919	-33	12,035	19,696	3,547	-1,192	43,800
Operating income/(loss)	701	543	592	478		1,070	894	442	-1	3,649
Business income/(loss)	212	500	579	369		948	826	432	-104	2,814
Share in net income/(loss) of associates		1	6	0		6	1	2	1	11
Depreciation and amortization	315	179	327	176		503	283	208	23	1,511
Impairment of assets	52	53	10	16		26	35	3	1	170
Net goodwill	181	1,213	3,559	2,258		5,817	3,217	243		10,671
Non-amortizable brands			710	0		710	1,803			2,513
Total segment assets **	4,920	4,179	9,474	5,758		15,232	13,125	2,830	417	40,703
Total segment liabilities ***	2,626	1,045	1,823	1,679		3,502	4,041	916	1,726	13,856
Investments during the year										
- Capital expenditure	576	223	529	236		765	298	283	18	2,163
- Businesses (net of cash acquired)	23	59	15	1,536		1,551	547	45	1	2,226
Cash flows from operations	733	437	480	405		885	650	510	309	3,524

* "Other" corresponds to a) the elimination of intragroup transactions for internal sales and b) holding company transactions for the other captions.
** The difference between total assets in the balance sheet and total segment assets corresponds to current and deferred taxes (€755 million) and cash and cash equivalents (€1,937 million).
*** The difference between total liabilities and equity in the balance sheet and total segment liabilities corresponds to equity (€14,530 million), current and deferred taxes (€1,393 million) and debt (€13,616 million).

(in € millions)	FLAT GLASS	HIGH-PERFORMANCE MATERIALS	CONSTRUCTION PRODUCTS				BUILDING DISTRIBUTION	PACKAGING	Other *	**Total**
2007			Interior Solutions	Exterior Solutions	Elimi-nations	Total				
External sales	5,577	4,629	6,002	4,187		10,189	19,478	3,542	6	43,421
Internal sales	34	123	626	329	(32)	923	2	4	(1,086)	0
Net sales	5,611	4,752	6,628	4,516	(32)	11,112	19,480	3,546	(1,080)	43,421
Operating income/(loss)	717	585	980	333		1,313	1,102	401	(10)	4,108
Business income/(loss)	(49)	333	962	281		1,243	1,069	688	(128)	3,156
Share in net income/(loss) of associates		3	7	0		7	2	1	1	14
Depreciation and amortization	347	216	318	141		459	276	209	14	1,521
Impairment of assets	73	225	9	31		40	19	(4)	1	354
Net goodwill	179	1,153	3,831	766		4,597	3,078	233		9,240
Non-amortizable brands			815	0		815	1,948			2,763
Total segment assets **	4,976	4,238	9,994	3,516		13,510	13,580	2,758	281	39,343
Total segment liabilities ***	2,421	1,125	1,911	1,366		3,277	4,249	936	1,047	13,055
Investments during the year										
- Capital expenditure	523	238	622	211		833	369	309	20	2,292
- Businesses (net of cash acquired)	18	22	98	93		191	500	(1)	20	750
Cash flows from operations	677	487	739	321		1,060	825	425	288	3,762

* "Other" corresponds to a) the elimination of intragroup transactions for internal sales and b) holding company transactions for the other captions.
** The difference between total assets in the balance sheet and total segment assets corresponds to current and deferred taxes (€501 million) and cash and cash equivalents (€1,294 million).
*** The difference between total liabilities and equity in the balance sheet and total segment liabilities corresponds to equity (€15,267 million), current and deferred taxes (€1,594 million) and debt (€11,222 million).

(in € millions)	FLAT GLASS	HIGH-PERFORMANCE MATERIALS	CONSTRUCTION PRODUCTS				BUILDING DISTRIBUTION	PACKAGING	Other *	**Total**
2006			Interior Solutions	Exterior Solutions	Elimi-nations	Total				
External sales	5,051	4,809	5,864	4,215		10,079	17,579	4,074	4	41,596
Internal sales	32	129	573	262	(38)	797	2	6	(966)	0
Net sales	5,083	4,938	6,437	4,477	(38)	10,876	17,581	4,080	(962)	41,596
Operating income/(loss)	480	500	1,028	348		1,376	1,001	376	(19)	3,714
Business income/(loss)	455	415	989	240		1,229	980	379	(136)	3,322
Share in net income/(loss) of associates	(8)	3	10	0		10	2			7
Depreciation and amortization	322	248	284	147		431	268	239	14	1,522
Impairment of assets	25	27	7	28		35	3	93	12	195
Net goodwill	189	1,380	3,962	722		4,684	2,826	248		9,327
Non-amortizable brands			856	0		856	1,987			2,843
Total segment assets **	4,905	5,184	9,804	3,464		13,268	12,819	3,367	251	39,794
Total segment liabilities ***	1,738	1,491	2,009	1,392		3,401	4,115	1,218	747	12,710
Investments during the year										
- Capital expenditure	448	226	632	214		846	328	336	24	2,208
- Businesses (net of cash acquired)	13	1	19	79		98	331	58		501
Cash flows from operations	529	432	726	322		1,048	817	402	119	3,347

* "Other" corresponds to a) the elimination of intragroup transactions for internal sales and b) holding company transactions for the other captions.
** The difference between total assets in the balance sheet and total segment assets corresponds to current and deferred taxes (€414 million) and cash and cash equivalents (€1,468 million).
*** The difference between total liabilities and equity in the balance sheet and total segment liabilities corresponds to equity (€14,487 million), current and deferred taxes (€1,412 million) and debt (€13,067 million).

Information by geographic area

(in € millions)	France	Other western European countries	North America	Emerging countries and Asia	Internal sales	TOTAL
2008						
Net sales	13,076	19,941	5,499	7,404	(2,120)	**43,800**
Total segment assets	11,322	16,938	5,672	6,771		**40,703**
Capital expenditure	565	684	221	693		**2,163**

(in € millions)	France	Other western European countries	North America	Emerging countries and Asia	Internal sales	TOTAL
2007						
Net sales	12,931	19,905	5,793	6,921	(2,129)	**43,421**
Total segment assets	11,031	16,110	5,538	6,664		**39,343**
Capital expenditure	550	699	372	671		**2,292**

(in € millions)	France	Other western European countries	North America	Emerging countries and Asia	Internal sales	TOTAL
2006						
Net sales	12,528	18,448	6,790	5,933	(2,103)	**41,596**
Total segment assets	10,990	16,219	5,981	6,604		**39,794**
Capital expenditure	499	751	363	595		**2,208**

The geographical breakdown of external sales for 2008, 2007 and 2006 is as follows:

(in € millions)	France	Other western European countries	North America	Emerging countries and Asia	TOTAL
2008					
Net sales	11,499	19,253	5,262	7,786	**43,800**
2007					
Net sales	11,388	19,350	5,563	7,120	**43,421**
2006					
Net sales	10,874	17,853	6,618	6,251	**41,596**

NOTE 33 – PRINCIPAL FULLY CONSOLIDATED COMPANIES

The table below shows the Group's principal consolidated companies, typically those with net sales of over €100 million.

Principal fully consolidated companies at December 31, 2008		% interest (held directly and indirectly)
FLAT GLASS SECTOR		
Saint-Gobain Glass France	France	100.00%
Saint-Gobain Sekurit France	France	100.00%
Saint-Gobain Sekurit Deutschland GmbH & CO Kg	Germany	99.91%
Saint-Gobain Glass Deutschland GmbH	Germany	99.91%
SG Deutsche Glas GmbH	Germany	99.91%
Saint-Gobain Glass Benelux	Belgium	99.77%
Saint-Gobain Sekurit Benelux SA	Belgium	99.91%
Saint-Gobain Autover Distribution SA	Belgium	99.91%
Koninklijke Saint-Gobain Glass	Netherlands	99.77%
Saint-Gobain Glass Polska Sp Zoo	Poland	99.91%
Cebrace Cristal Plano Ltda	Brazil	50.00%
Saint-Gobain Do Brazil Ltda	Brazil	100.00%
Saint-Gobain Cristaleria SA	Spain	99.72%
Solaglas Ltd	United Kingdom	99.97%
Saint-Gobain Glass Italia	Italy	100.00%
Saint-Gobain Sekurit Italia	Italy	100.00%
Hankuk Glass Industries	South Korea	80.47%
Hankuk Sekurit Limited	South Korea	90.11%
Saint-Gobain Glass India	India	97.82%
Saint-Gobain Glass Mexico	Mexico	99.72%
HIGH-PERFORMANCE MATERIALS		
Saint-Gobain Abrasifs	France	99.92%
Société Européenne des Produits Réfractaires	France	100.00%
Saint-Gobain Abrasives Inc.	United States	100.00%
Saint-Gobain Ceramics & Plastics Inc.	United States	100.00%
Saint-Gobain Performance Plastics Corp.	United States	100.00%
SG Abrasives Canada Inc	Canada	100.00%
Saint-Gobain Abrasivi	Italy	99.92%
SEPR Italia	Italy	100.00%
Saint-Gobain Abrasivos Brasil Ltda	Brazil	100.00%
Saint-Gobain Abrasives BV	Netherlands	99.92%
Saint-Gobain Abrasives Ltd	United Kingdom	99.97%
Saint-Gobain Vertex SRO	Czech Republic	100.00%

CONSTRUCTION PRODUCTS SECTOR

INTERIOR SOLUTIONS

Saint-Gobain Isover	France	100.00%
Saint-Gobain Isover G+H AG	Germany	99.91%
CertainTeed Corporation	United States	100.00%
Saint-Gobain Ecophon Group	Sweden	99.98%
Saint-Gobain Construction Product Russia Insulation	Russia	100.00%
BPB Plc	United Kingdom	100.00%
Certain Teed Gypsum & Ceilings USA	United States	100.00%
Certain Teed Gypsum Canada Inc	Canada	100.00%
BPB Gypsum (Pty) Ltd	South Africa	100.00%
Saint-Gobain Placo Iberica	Spain	100.00%
BPB Italia SpA	Italy	100.00%
British Gypsum Ltd	United Kingdom	100.00%
Gypsum Industries Ltd	Ireland	100.00%
Placoplatre SA	France	99.75%
Rigips GmbH	Germany	100.00%
Thai Gypsum Products PLC	Thailand	99.66%

EXTERIOR SOLUTIONS

Saint-Gobain Weber	France	99.99%
Saint-Gobain Do Brazil Ltda	Brazil	100.00%
Saint-Gobain Weber Cemarksa SA	Spain	99.99%
Maxit Group AB	Sweden	99.99%
Maxit Deutschland GmbH	Germany	99.99%
CertainTeed Corporation	United States	100.00%
Saint-Gobain PAM SA	France	100.00%
Saint-Gobain Gussrohr KG	Germany	100.00%
Saint-Gobain Pipelines Plc	United Kingdom	99.97%
Saint-Gobain Canalizacion SA	Spain	99.94%
Saint-Gobain PAM Italia s.p.a	Italy	100.00%
Saint-Gobain Canalizaçao SA	Brazil	100.00%
Saint-Gobain Xuzhou Pipe Co Ltd	China	100.00%

BUILDING DISTRIBUTION SECTOR

Distribution Sanitaire Chauffage	France	100.00%
Lapeyre	France	100.00%
Point.P	France	100.00%
Saint-Gobain Distribucion y Construccion	Spain	100.00%
Saint-Gobain Building Distribution Deutschland GmbH	Germany	100.00%
Saint-Gobain Building Distribution Ltd	United Kingdom	99.97%
Saint-Gobain Distribution The Netherlands BV	Netherlands	100.00%
Saint-Gobain Distribution Nordic AB	Sweden	100.00%
Optimera AS	Norway	100.00%
Optimera Danmark A/S	Denmark	100.00%
Sanitas Troesch	Switzerland	100.00%
Norandex Building Material Distribution Inc	United States	100.00%

PACKAGING SECTOR

Saint-Gobain Emballage	France	100.00%
Saint-Gobain Vidros SA	Brazil	100.00%
Saint-Gobain Oberland AG	Germany	96.67%
Saint-Gobain Vicasa SA	Spain	99.64%
Saint-Gobain Containers Inc	United States	100.00%
Saint-Gobain Vetri SpA	Italy	99.99%

NOTE 34 – SUBSEQUENT EVENTS

On January 14, 2009, Compagnie de Saint-Gobain placed a €1 billion five-and-a-half-year 8.25% bond issue.

The issue proceeds, which were received on January 26, will be used to refinance the Group's existing debt and extend its average maturity.

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