CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

Direction de la
CONSOLIDATION REPORTING GROUPE

CONSOLIDATED BALANCE SHEET

(in EUR millions)	Notes	Dec. 31, 2010	Dec. 31, 2009
ASSETS			
Goodwill	(3)	11,030	10,740
Other intangible assets	(4)	3,067	2,998
Property, plant and equipment	(5)	13,727	13,300
Investments in associates	(6)	137	123
Deferred tax assets	(15)	700	676
Other non-current assets	(7)	272	312
Non-current assets		**28,933**	**28,149**
Inventories	(8)	5,841	5,256
Trade accounts receivable	(9)	5,038	4,926
Current tax receivable		175	333
Other receivables	(9)	1,248	1,202
Cash and cash equivalents	(19)	2,762	3,157
Current assets		**15,064**	**14,874**
Total Assets		**43,997**	**43,023**
EQUITY AND LIABILITIES			
Capital stock	(10)	2,123	2,052
Additional paid-in capital and legal reserve		5,781	5,341
Retained earnings and net income for the year		10,614	10,137
Cumulative translation adjustments		(383)	(1,340)
Fair value reserves		(43)	(75)
Treasury stock	(10)	(224)	(203)
Shareholders' equity		**17,868**	**15,912**
Minority interests		364	302
Total equity		**18,232**	**16,214**
Long-term debt	(19)	7,822	8,839
Provisions for pensions and other employee benefits	(14)	2,930	2,958
Deferred tax liabilities	(15)	909	921
Other non-current liabilities and provisions	(16)	2,228	2,169
Non-current liabilities		**13,889**	**14,887**
Current portion of long-term debt	(19)	1,094	1,880
Current portion of other liabilities	(16)	527	518
Trade accounts payable	(17)	5,690	5,338
Current tax liabilities		156	108
Other payables and accrued expenses	(17)	3,395	3,086
Short-term debt and bank overdrafts	(19)	1,014	992
Current liabilities		**11,876**	**11,922**
Total Equity and Liabilities		**43,997**	**43,023**

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

CONSOLIDATED INCOME STATEMENT

(in EUR millions)	Notes	2010	2009
Net sales	(32)	40,119	37,786
Cost of sales	(22)	(30,059)	(28,804)
Selling, general and administrative expenses including research	(22)	(6,943)	(6,766)
Operating income		3,117	2,216
Other business income	(22)	87	36
Other business expense	(22)	(680)	(1,012)
Business income		**2,524**	**1,240**
Borrowing costs, gross		(558)	(666)
Income from cash and cash equivalents		39	46
Borrowing costs, net		(519)	(620)
Other financial income and expense	(23)	(220)	(185)
Net financial expense		**(739)**	**(805)**
Share in net income of associates	(6)	5	2
Income taxes	(15)	(577)	(196)
Net income		**1,213**	**241**
Attributable to equity holders of the parent		**1,129**	**202**
Minority interests		84	39
Earnings per share (in EUR)			
Weighted average number of shares in issue		517,954,691	473,244,410
Basic earnings per share	(25)	2.18	0.43
Weighted average number of shares assuming full dilution		519,887,155	473,543,327
Diluted earnings per share	(25)	2.17	0.43

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

	Shareholders' equity		Minority interests	Total equity
(in EUR millions)	**Before tax effect**	**Tax effect**		
2009				
Net income	***379***	***(177)***	***39***	***241***
Translation adjustments	400	0	24	424
Changes in fair values	86	(26)	0	60
Changes in actuarial gains and losses	(724)	217	0	(507)
Other	0	0	3	3
Income and expense recognized directly in equity	***(238)***	***191***	***27***	***(20)***
Total recognized income and expense for the year	141	14	66	221
2010				
Net income	***1,667***	***(538)***	***84***	***1,213***
Translation adjustments	956		33	989
Changes in fair values	32	(12)		20
Changes in actuarial gains and losses	(142)	40		(102)
Other	(66)		(3)	(69) (*)
Income and expense recognized directly in equity	***780***	***28***	***30***	***838***
Total recognized income and expense for the year	2,447	(510)	114	2,051

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

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

CONSOLIDATED CASH FLOW STATEMENT

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

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

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Number of shares)		*(in EUR millions)*								
	Issued	Outstanding (excluding treasury stock)	Capital stock	Additional paid in capital and legal reserve	Retained earnings and net income for the year	Cumulative translation adjustments	Fair value reserves	Treasury stock	**Share-holders' equity**	Minority interests	**Total equity**
At January 1, 2009	**382,571,985**	**378,026,836**	**1,530**	**3,940**	**10,911**	**(1,740)**	**(161)**	**(206)**	**14,274**	**256**	**14,530**
Income and expenses recognized directly in equity			0	0	(533)	400	86	0	**(47)**	27	**(20)**
Net income for the year					202				**202**	39	**241**
Total recognized income and expense for the year			***0***	***0***	***(331)***	***400***	***86***	***0***	***155***	***66***	***221***
Issues of capital stock											
March 23, 2009 rights issue	108,017,212	108,017,212	432	1,042					**1,474**		**1,474**
Group Savings Plan	8,498,377	8,498,377	34	100					**134**		**134**
Stock dividends	13,805,920	13,805,920	56	258					**314**		**314**
Stock option plans	37,522	37,522		1					**1**		**1**
Other	0	0							**0**	6	**6**
Dividends paid (EUR 1.00 per share)					(486)				**(486)**	(26)	**(512)**
Treasury stock purchased	0	(2,238,941)						(72)	**(72)**		**(72)**
Treasury stock sold	0	2,326,591			3			75	**78**		**78**
Share-based payments	0	0			40				**40**		**40**
At December 31, 2009	512,931,016	508,473,517	2,052	5,341	10,137	(1,340)	(75)	(203)	**15,912**	302	**16,214**
Income and expenses recognized directly in equity			0	0	(180)	956	32	0	**808**	30	**838**
Net income for the year					1,129				**1,129**	*84*	**1,213**
Total recognized income and expense for the year			***0***	***0***	***949***	***956***	***32***	***0***	***1,937***	***114***	***2,051***
Issues of capital stock											
Stock dividend	12,861,368	12,861,368	51	315					**366**		**366**
Group Savings Plan	4,993,989	4,993,989	20	123					**143**		**143**
Stock option plans	50,068	50,068		2					**2**		**2**
Other									**0**	2	**2**
Dividends paid (EUR 1.00 per share)					(509)				**(509)**	(54)	**(563)**
Treasury stock purchased		(6,114,150)				1		(212)	**(211)**		**(211)**
Treasury stock sold		5,457,752			(4)			191	**187**		**187**
Share-based payments					41				**41**		**41**
At December 31, 2010	**530,836,441**	**525,722,544**	**2,123**	**5,781**	**10,614**	**(383)**	**(43)**	**(224)**	**17,868**	**364**	**18,232**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ACCOUNTING PRINCIPLES AND POLICIES

BASIS OF PREPARATION

The consolidated financial statements of Compagnie de Saint-Gobain and its subsidiaries ("the Group") have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for use in the European Union at December 31, 2010, corresponding to the IFRS issued by the International Accounting Standards Board (IASB).

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

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

The Group has not early adopted any new standards, interpretations or amendments to published standards that are applicable for financial years beginning on or after January 1, 2011 (see table below).

These consolidated financial statements were adopted by the Board of Directors on February 24, 2011 and will be submitted to the Shareholders' Meeting for approval. They are presented in millions of euros.

ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the period. These estimates and assumptions are based on past experience and on various other factors, including the prevailing economic environment. Actual amounts may differ from those obtained through the use of these estimates and assumptions.

The main estimates and assumptions described in these notes concern the measurement of employee benefit obligations (Note 14), provisions for other liabilities and charges (Note 16), asset impairment tests (Note 1), deferred taxes (Note 15), share-based payments (Note 13) and financial instruments (Note 11).

SUMMARY OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS

Standards, interpretations and amendments to existing standards applicable in 2010	
IFRS 3R and IAS 27A	Business Combinations and Consolidated and Separate Financial Statements
Amendments to IAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRS 1R	First-Time Adoption of International Financial Reporting Standards (Restructured IFRS 1)
Amendments to IFRS 2	Group Cash-settled Share-based Payment Arrangements
IFRIC 12	Service Concession Arrangements
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-Cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
	Annual improvements to IFRS
Standards, interpretations and amendments to existing standards early adopted in 2010	
Amendments to IAS 32	Classification of Rights Issues
IAS 24R	Related Party Disclosures
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
Amendments to IFRS 1	Additional Exemptions for First-time Adopters
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
	Annual improvements to IFRS

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

CONSOLIDATION

Scope of consolidation

The Group's consolidated financial statements include the accounts of Compagnie de Saint-Gobain and of all companies controlled by the Group, as well as those of jointly controlled companies and companies over which the Group exercises significant influence.

Significant changes in the Group's scope of consolidation during 2010 are presented in Note 2 and a list of the principal consolidated companies at December 31, 2010 is provided in Note 33.

Consolidation methods

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

Interests in jointly controlled entities are proportionately consolidated. The Group has elected not to apply the alternative treatment permitted by IAS 31, under which jointly controlled companies may be accounted for by the equity method, and has maintained the proportionate consolidation method.

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

Business combinations

The Group has applied IFRS 3R and IAS 27A on a prospective basis starting from January 1, 2010. As a result, business combinations completed prior to that date are recognized in accordance with the previous versions of IFRS 3 and IAS 27.

- *Goodwill*

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

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

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

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

- *Step acquisitions and partial disposals*

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

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

- *Potential voting rights and share purchase commitments*

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

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

- *Minority interests*

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

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

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

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

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

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

Intragroup transactions

All intragroup balances and transactions are eliminated in consolidation.

Translation of the financial statements of foreign companies

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

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

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

Foreign currency transactions

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

BALANCE SHEET ITEMS

Goodwill

See the section above on business combinations.

Other intangible assets

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

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

Provisions for site restoration are recognized as components of assets in the event of a sudden deterioration in site conditions and whenever the Group has a legal or constructive obligation to restore a site in accordance with contractually determined conditions. These provisions are reviewed periodically and may be discounted over the expected useful lives of the assets concerned. The component is depreciated over the same useful life as that used for mines and quarries.

Government grants for purchases of property, plant and equipment are recorded under "Other payables" and taken to the income statement over the estimated useful lives of the relevant assets.

Finance leases and operating leases

Assets held under leases that transfer to the Group substantially all of the risks and rewards of ownership (finance leases) are recognized as property, plant and equipment. They are recognized at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Property, plant and equipment acquired under finance leases are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset – determined using the same criteria as for assets owned by the Group – or the lease term. The corresponding liability is shown in the balance sheet net of related interest.

Rental payments under operating leases are expensed as incurred.

Non-current financial assets

Non-current financial assets include available-for-sale and other securities, as well as other non-current assets, which primarily comprise long-term loans and deposits.
Investments classified as "available-for-sale" are carried at fair value. Unrealized gains and losses on these investments are recognized in equity, unless the investments have suffered an other-than-temporary or material decline in value, in which case an impairment loss is recorded in the income statement.

Impairment of property, plant and equipment, intangible assets and goodwill

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

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

For goodwill and other intangible assets (including brands with indefinite useful lives), an impairment test is performed at least annually based on the five-year business plan. Goodwill is reviewed systematically and exhaustively at the level of each cash-generating unit (CGU). The Group's reporting segments are its business sectors, which may each include several CGUs. A CGU is a reporting sub-segment, generally defined as a core business of the segment in a given geographical area. It typically reflects the manner in which the Group organizes its business and analyzes its results for internal reporting purposes. A total of 37 CGUs had been identified at 31 December 2010.

Goodwill and brands are allocated mainly to the Gypsum and Industrial Mortars CGUs and to the Building Distribution CGUs primarily in the United Kingdom, France and Scandinavia.

The method used for these impairment tests is consistent with that employed by the Group for the valuation of companies acquired in business combinations or acquisitions of equity interests. The carrying amount of the CGUs is compared to their value in use, corresponding to the present value of future cash flows excluding interest but including tax. Cash flows for the fifth year of the business plan are rolled forward over the following two years. For impairment tests of goodwill, normative cash flows (corresponding to cash flows at the mid-point in the business cycle) are then projected to perpetuity using a low annual growth rate (generally 1%, except for emerging markets or businesses with a high organic growth potential where a 1.5% rate may be used). The discount rate applied to these cash flows corresponds to the Group's average cost of capital (7.25% in 2010 and 2009) plus a country risk premium where appropriate depending on the geographic area concerned. The discount rates applied in 2010 and in 2009 for the main operating regions were 7.25% for the euro zone and North America, 8.25% for Eastern Europe and China and 8.75% for South America.

The recoverable amount calculated using a post-tax discount rate gives the same result as a pre-tax rate applied to pre-tax cash flows.

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

- 0.5-point increase or decrease in the annual average rate of growth in cash flows projected to perpetuity;
- 0.5-point increase or decrease in the discount rate applied to cash flows.

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

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

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

Inventories

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

Operating receivables and payables

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

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

Net debt

- *Long-term debt*

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

- *Short-term debt*

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

- *Cash and cash equivalents*

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

Further details about long- and short-term debt are provided in Note 19.

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

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

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

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

- *Fair value hedges*

Most interest rate derivatives used by the Group to swap fixed rates for variable rates are designated and qualify as fair value hedges. These derivatives hedge fixed-rate debts exposed to a fair value risk. In accordance with hedge accounting principles, debt included in a designated fair value hedging relationship is remeasured at fair value. As the effective portion of the gain or loss on the fair value hedge offsets the loss or gain on the underlying hedged item, the income statement is only impacted by the ineffective portion of the hedge.

- *Cash flow hedges*

Cash flow hedge accounting is applied by the Group mainly for derivatives used to fix the cost of future investments in financial assets or property, plant and equipment, future purchases of gas and fuel oil (fixed-for-variable price swaps) and future purchases of foreign currencies (forward contracts). The transactions hedged by these instruments are qualified as highly probable. The application of cash flow hedge accounting allows the Group to defer the impact on the income statement of the effective portion of changes in the fair value of these instruments by recording them in a special hedging reserve in equity. The reserve is reclassified into the income statement when the hedged transaction occurs and the hedged item affects income. In the same way as for fair value hedges, cash flow hedging limits the Group's exposure to changes in the fair value of these price swaps to the ineffective portion of the hedge.

- *Derivatives that do not qualify for hedge accounting*

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized in the income statement. The instruments concerned mainly include cross-currency swaps; gas, currency and interest rate options; currency swaps; and futures and forward contracts.

Fair value of financial instruments

The fair value of financial assets and financial liabilities quoted in an active market corresponds to their quoted price, classified as Level 1 in the fair value hierarchy defined in IFRS 7. The fair value of financial assets and financial liabilities not quoted in an active market is established by a recognized valuation technique such as reference to the fair value of another recent and similar transaction, or discounted cash flow analysis based on observable market data, classified as Level 2 in the IFRS 7 fair value hierarchy.

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

Employee benefits – defined benefit plans

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

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

The Group's obligation for the payment of pensions and length-of-service awards is determined at the balance sheet date by independent actuaries, using a method that takes into account projected final salaries at retirement and economic conditions in each country. These obligations may be financed by pension funds, with a provision recognized in the balance sheet for the unfunded portion.
The effect of any plan amendments (past service cost) is recognized on a straight-line basis over the remaining vesting period, or immediately if the benefits are already vested.

Actuarial gains or losses reflect year-on-year changes in the actuarial assumptions used to measure the Group's obligations and plan assets, experience adjustments (differences between the actuarial assumptions and what has actually occurred), and changes in legislation. They are recognized in equity as they occur.

In the United States, Spain and Germany, retired employees receive benefits other than pensions, mainly concerning healthcare. The Group's obligation under these plans is determined using an actuarial method and is covered by a provision recorded in the balance sheet.

Provisions are also set aside on an actuarial basis for other employee benefits, such as jubilees or other long-service awards, deferred compensation, specific welfare benefits, and termination benefits in various countries. Any actuarial gains and losses relating to these benefits are recognized immediately.

The Group has elected to recognize the interest costs for these obligations and the expected return on plan assets as financial expense or income.

Employee benefits – defined contribution plans

Contributions to defined contribution plans are expensed as incurred.

Employee benefits – share-based payments

- *Stock options*

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

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

- Volatility assumptions that take into account the historical volatility of the share price over a rolling 10-year period, as well as implied volatility from traded share options. Periods of extreme share price volatility are disregarded.
- Assumptions relating to the average holding period of options, based on observed behavior of option holders.
- Expected dividends, as estimated on the basis of historical information dating back to 1988.
- A risk-free interest rate corresponding to the yield on long-term government bonds.
- The effect of any stock market performance conditions is taken into account in the initial measurement of the plan cost under IFRS 2.

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

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

- *Group Savings Plan ("PEG")*

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

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

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

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

- *Performance share grants*

The Group set up a worldwide share grant plan in 2009 whereby each Group employee was awarded seven shares, and performance share plans in 2009 and 2010 for certain categories of employees. These plans are subject to eligibility criteria based on the grantee's period of service with the Group. The plan costs calculated under IFRS 2 take into account the eligibility criteria, the performance criteria – which are described in Note 13 – and the lock-up feature. They are determined after deducting the present value of forfeited dividends on the performance shares and are recognized over the vesting period, which ranges from two to four years depending on the country.

Equity

- *Additional paid-in capital and legal reserve*

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

- *Retained earnings and net income for the year*

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

- *Treasury stock*

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

Other current and non-current liabilities and provisions

- *Provisions for other liabilities and charges*

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

If the timing or the amount of the obligation cannot be measured reliably, it is classified as a contingent liability and reported as an off-balance sheet commitment.

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

- *Investment-related liabilities*

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

INCOME STATEMENT ITEMS

Revenue recognition

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

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

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

Operating income

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

Other business income and expense

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

Business income

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

Net financial expense

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

Income taxes

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

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

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

No deferred tax liability is recognized in respect of undistributed earnings of subsidiaries that are not intended to be distributed.

In accordance with interpretation SIC 21, a deferred tax liability is recognized for brands acquired in a business combination.

Deferred taxes are recognized as income or expense in the income statement, except when they relate to items that are recognized directly in equity, in which case the deferred tax is also recognized in equity.

Earnings per share

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

Diluted earnings per share are calculated by adjusting earnings per share (see Note 25) and the average number of shares in issue for the effects of all dilutive potential common shares, such as stock options and convertible bonds. The calculation is performed using the treasury stock method, which assumes that the proceeds from the exercise of dilutive instruments are assigned on a priority basis to the purchase of common shares in the market.

Recurring net income

Recurring net income corresponds to income after tax and minority interests but before capital gains or losses, asset impairment losses, material non-recurring provisions and the related tax and minority interests.

The method used for calculating recurring net income is explained in Note 24.

PERFORMANCE INDICATORS

EBITDA

EBITDA corresponds to operating income before depreciation and amortization.

The method used for calculating EBITDA is explained in Note 24.

Return on capital employed

Return on capital employed (ROCE) corresponds to annualized operating income adjusted for changes in the scope of consolidation, expressed as a percentage of total assets at the period-end. Total assets include net property, plant and equipment, working capital, net goodwill and other intangible assets, but exclude deferred tax assets arising from non-amortizable brands and land.

Cash flow from operations

Cash flow from operations corresponds to net cash generated from operating activities before the impact of changes in working capital requirement, changes in current taxes and movements in provisions for other liabilities and charges and deferred taxes. Cash flow from operations is adjusted for the effect of material non-recurring provision charges.

The method used for calculating cash flow from operations is explained in Note 24.

Cash flow from operations before tax on capital gains and losses and non-recurring provisions

This item corresponds to cash flow from operations less the tax effect of asset disposals and of non-recurring provision charges and reversals.

The method used for calculating cash flow from operations before tax on capital gains and losses and non-recurring provisions is explained in Note 24.

SEGMENT INFORMATION

In compliance with IFRS 8, segment information reflects the Group's internal presentation of operating results to senior management.
The Group has chosen to present segment information by sector and division, without any further aggregation compared with the internal presentation. There were no changes in the presentation of segment information in 2010 compared with prior years.

NOTE 2 – CHANGES IN GROUP STRUCTURE

Changes in the number of consolidated companies

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

Significant changes in Group structure

2010

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

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

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

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

2009

No material acquisitions were made in 2009. Allocation of the Maxit acquisition price was completed during the first half, within the 12 months following the March 2008 acquisition of the business, leading to the recognition of brands in the consolidated balance sheet for an amount of €84 million or €62 million after deferred taxes.

Impact on the consolidated balance sheet

The impact on the balance sheet at December 31, 2010 of changes in Group structure and in consolidation methods was as follows:

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

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

NOTE 3 – GOODWILL

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

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

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

NOTE 4 – OTHER INTANGIBLE ASSETS

(in EUR millions)	**Patents**	**Non-amortizable brands**	**Software**	**Develop-ment costs**	**Other**	**Total**
At January 1, 2009						
Gross value	113	2,513	684	54	276	3,640
Accumulated amortization and impairment	(98)		(492)	(27)	(155)	(772)
Net	**15**	**2,513**	**192**	**27**	**121**	**2,868**
Movements during the year						
Changes in Group structure	1	84	9		(9)	85
Acquisitions	2		50	8	10	70
Disposals			(3)		(2)	(5)
Translation adjustments		77	6		1	84
Amortization and impairment	(2)		(78)	(8)	(16)	(104)
Total movements	**1**	**161**	**(16)**	**0**	**(16)**	**130**
At December 31, 2009						
Gross value	114	2,674	737	62	273	3,860
Accumulated amortization and impairment	(98)		(561)	(35)	(168)	(862)
Net	**16**	**2,674**	**176**	**27**	**105**	**2,998**
Movements during the year						
Changes in Group structure	5		6	(4)	9	16
Acquisitions			49	4	17	70
Disposals			(2)		(2)	(4)
Translation adjustments	1	73	7		8	89
Amortization and impairment	(2)		(80)	(9)	(11)	(102)
Total movements	**4**	**73**	**(20)**	**(9)**	**21**	**69**
At December 31, 2010						
Gross value	124	2,747	798	60	301	4,030
Accumulated amortization and impairment	(104)		(642)	(42)	(175)	(963)
Net	**20**	**2,747**	**156**	**18**	**126**	**3,067**

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

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

(in EUR millions)	**Land and quarries**	**Buildings**	**Machinery and equipment**	**Assets under construc-tion**	**Total**
At January 1, 2009					
Gross value	2,116	7,554	19,078	1,415	30,163
Accumulated depreciation and impairment	(322)	(3,766)	(12,682)	(19)	(16,789)
Net	**1,794**	**3,788**	**6,396**	**1,396**	**13,374**
Movements during the year					
Changes in Group structure and reclassifications	27	16	30	6	79
Acquisitions	41	66	283	875	1,265
Disposals	(15)	(19)	(47)	(11)	(92)
Translation adjustments	24	52	88	11	175
Depreciation and impairment	(33)	(291)	(1,171)	(6)	(1,501)
Transfers	0	288	959	(1,247)	0
Total movements	**44**	**112**	**142**	**(372)**	**(74)**
At December 31, 2009					
Gross value	2,188	7,921	19,842	1,034	30,985
Accumulated depreciation and impairment	(350)	(4,021)	(13,304)	(10)	(17,685)
Net	**1,838**	**3,900**	**6,538**	**1,024**	**13,300**
Movements during the year					
Changes in Group structure and reclassifications	93	(12)	(20)	2	63
Acquisitions	52	82	299	1,020	1,453
Disposals	(23)	(41)	(38)	(6)	(108)
Translation adjustments	76	155	301	53	585
Depreciation and impairment	(33)	(300)	(1,196)	(37)	(1,566)
Transfers	0	221	836	(1,057)	0
Total movements	**165**	**105**	**182**	**(25)**	**427**
At December 31, 2010					
Gross value	2,397	8,338	21,047	1,042	32,824
Accumulated depreciation and impairment	(394)	(4,333)	(14,327)	(43)	(19,097)
Net	**2,003**	**4,005**	**6,720**	**999**	**13,727**

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

NOTE 6 – INVESTMENTS IN ASSOCIATES

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

Investments in associates include shares in Compania Industrial El Volcan, which is listed on the Santiago de Chile stock exchange. At December 31, 2010, the market value of the shares was higher than the carrying amount of the Group's equity in the company's net assets.

Net sales recorded in the individual financial statements of associates totaled €799 million in 2010 (2009: €689 million) and their aggregate net income totaled €17 million (2009: €11 million). At December 31, 2010, total assets and liabilities of these companies amounted to €873 million and €467 million, respectively (December 31, 2009: €788 million and €450 million).

NOTE 7 – OTHER NON-CURRENT ASSETS

(in EUR millions)	**Available-for-sale and other securities**	**Capitalized loans and deposits**	**Pension plan surpluses**	**Total**
At January 1, 2009				
Gross value	86	227	206	519
Provisions for impairment in value	(16)	(13)		(29)
Net	**70**	**214**	**206**	**490**
Movements during the year				
Changes in Group structure	(27)	1		(26)
Increases/(decreases)	3	(8)	(108)	(113)
Movements in provisions for impairment in value	(14)	(30)		(44)
Translation adjustments	1	5	(2)	4
Transfers and other movements	(5)	6		1
Total movements	**(42)**	**(26)**	**(110)**	**(178)**
At December 31, 2009				
Gross value	59	231	96	386
Provisions for impairment in value	(31)	(43)		(74)
Net	**28**	**188**	**96**	**312**
Movements during the year				
Changes in Group structure	(3)			(3)
Increases/(decreases)	(4)	15	(60)	(49)
Movements in provisions for impairment in value	(1)	(3)		(4)
Translation adjustments	5	8	1	14
Transfers and other movements		2		2
Total movements	**(3)**	**22**	**(59)**	**(40)**
At December 31, 2010				
Gross value	43	218	37	298
Provisions for impairment in value	(18)	(8)		(26)
Net	**25**	**210**	**37**	**272**

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

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

NOTE 8 – INVENTORIES

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

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

Impairment losses on inventories recorded in the 2010 income statement totaled €105 million (2009: €178 million). Impairment reversals, due to increases in the net realizable value of inventories, amounted to €78 million in 2010 (2009: €92 million) and were reorded as a deduction from impairment losses for the year.

NOTE 9 – TRADE AND OTHER ACCOUNTS RECEIVABLE

(in EUR millions)	**December 31, 2010**	**December 31, 2009**
Gross value	5,530	5,430
Provisions for impairment in value	(492)	(504)
Trade accounts receivable	**5,038**	**4,926**
Advances to suppliers	476	410
Prepaid payroll taxes	25	28
Other prepaid and recoverable taxes (other than income tax)	385	357
Other	369	418
France	82	89
Other Western European countries	144	135
North America	26	15
Emerging countries and Asia	117	179
Provisions for impairment in value	(7)	(11)
Other receivables	**1,248**	**1,202**

The change in impairment provisions for trade accounts receivable in 2010 reflects €72 million in additions (2009: €110 million) and €90 million in reversals (2009: €50 million) – resulting from recoveries as well as write-offs. Bad debt write-offs are also reported under this caption, for €102 million (2009: €74 million).

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

The Group considers that its exposure to concentrations of credit risk is limited due to its diversified business line-up, broad customer base and global presence. Past-due trade receivables are regularly monitored and analyzed, and provisions are set aside when appropriate. Net past-due trade receivables amounted to €879 million atDecember 31, 2010 (December 31, 2009: €756 million), including €196 million over three months past-due.

NOTE 10 – EQUITY

Number of shares outstanding

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

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

During 2010, 4,993,989 new shares were issued to members of the 2010 Group Savings Plan at a price of €28.70, representing total proceeds of €143 million.

At the Annual General Meeting of June 4, 2009, shareholders authorized the Board of Directors of Compagnie de Saint-Gobain to:

- Issue, on one or several occasions, up to 195 million new shares with or without pre-emptive or priority subscription rights for existing shareholders (thirteenth to seventeenth resolutions/26-month authorization commencing June 4, 2009).
- Issue, on one or several occasions, up to 23,750,000 new shares to members of the Group Savings Plan (eighteenth resolution/26-month authorization commencing June 4, 2009).
- Grant stock options exercisable for shares representing up to 3% of capital stock on the Meeting date, i.e. 14,972,627 options exercisable for the same number of shares (nineteenth resolution/38-month authorization commencing June 4, 2009). In the twentieth resolution, the Board was authorized to make performance share grants representing up to 1% of the capital stock on the Meeting date, i.e. grants of 4,990,875 shares. If this authorization were to be used, the performance shares would be deducted from the shares available for the stock option plan.

The Board of Directors used these authorizations (i) on November 19, 2009 to grant 1,479,460 stock options and an estimated 1,982,750 performance shares and (ii) on November 18, 2010 to grant 1,144,730 stock options and an estimated 737,550 performance shares. Consequently, the Board is currently authorized to issue 9,628,137 shares under stock option and performance share plans (of which 2,270,575 under performance share plans).

If all outstanding stock options were to be exercised and all outstanding performance shares were to vest, this would potentially have the effect of increasing the number of shares outstanding to 559,229,055. In addition, if the authorizations described above were to be used in full, this would potentially have the effect of increasing the number of shares outstanding to 782,613,203.

At the Annual General Meeting of June 3, 2010, the Board of Directors was also authorized to issue stock warrants in the event of a public tender offer for the Company's shares, in accordance with the French Act of March 31, 2006 on takeover bids (13th resolution). Under this authorization, the Group may issue up to €512 million worth of stock (excluding premiums), representing 128,000,000 shares.

Treasury stock

Saint-Gobain shares held by Compagnie de Saint-Gobain are shown as a deduction from shareholders' equity under "Treasury stock" at historical cost. At December 31, 2010, 5,113,897 shares were held in treasury (December 31, 2009: 4,457,499).

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

The liquidity contract set up with Exane BNP Paribas on November 16, 2007 was rolled over in 2009 and 2010. This contract complies with the Code of Ethics adopted by the *Association Française des Entreprises d'Investissement (AFEI)* recognized by the *Autorité des Marchés Financiers (AMF)*. During 2010, 5,008,989 shares were purchased under the contract (2009: 2,055,364 shares) and 4,996,279 shares were sold (2009: 2,111,287 shares).

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

NOTE 11 – STOCK OPTION PLANS

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

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

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

All options granted between 2001 and 2002 were exercisable for existing shares, while those granted between 2003 and 2007 were exercisable for new shares. For the 2008, 2009 and 2010 plans, the origin of the shares will be determined at the latest at the end of the four-year vesting period. If an option holder were to die or any of the events provided for in the General Tax Code were to occur during the four-year vesting period, only options exercisable for new shares would vest.

Until 2008, options granted were subject to a performance condition for certain categories of grantees. The 2009 and 2010 plans are subject to performance conditions for all grantees. For options granted in 2010, these vesting conditions are based on stock market performance.

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

	EUR 4 par value shares	Average exercise price (in EUR)
Options outstanding at January 1, 2009	**25,295,607**	**45.84**
Adjustment for effects of March 23 rights issue (1)	2,674,999	
Options granted	1,479,460	**36.34**
Options exercised	(252,826)	**32.50**
Options forfeited	(533,898)	**43.63**
Options outstanding at December 31, 2009	**28,663,342**	**41.23**
Options granted	1,144,730	**35.19**
Options exercised	(511,541)	**32.74**
Options forfeited	(547,883)	**34.11**
Options outstanding at December 31, 2010	**28,748,648**	**41.27**

(1) Following the March 23, 2009 capital increase for cash carried out by issuing and allocating stock warrants, the number of options per grantee was adjusted in accordance with the applicable regulations in order to preserve the grantees' rights.

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

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

Grant date	Options exercisable			Options not exercisable		Total options outstanding	Type of options
	Exercise price (in EUR)	Number of options	Weighted average contractual life (in months)	Exercise price (in EUR)	Number of options	Number of options	
2001	36.37	1,874,182	11			1,874,182	Purchase
2002	21.28	1,202,152	23			1,202,152	Purchase
2003	32.26	2,873,941	35			2,873,941	Subscription
2004	39.39	4,012,816	47			4,012,816	Subscription
2005	41.34	4,066,120	59			4,066,120	Subscription
2006	52.52	4,306,454	71			4,306,454	Subscription
2007	64.72		83	64.72	3,917,673	3,917,673	Subscription
2008	25.88		95	25.88	3,871,120	3,871,120	Subscription or Purchase
2009	36.34		107	36.34	1,479,460	1,479,460	Subscription or Purchase
2010	35.19		119	35.19	1,144,730	1,144,730	Subscription or Purchase
Total		**18,335,665**			**10,412,983**	**28,748,648**	

At December 31, 2010, 18,335,665 stock options were exercisable (at an average price of €40.29) and 10,412,983 options (average price €43.00) had not yet vested.

NOTE 12 – GROUP SAVINGS PLAN ("PEG")

The PEG Group Savings Plan is an employee stock purchase plan open to all Group employees in France and in most other countries where the Group does business. Eligible employees must have completed a minimum of three months' service with the Group. The purchase price of the shares, as set by the Chief Executive Officer on behalf of the Board of Directors, corresponds to the average of the opening share prices quoted over the 20 trading days preceding the pricing date.

In 2010, the Group issued 4,993,989 shares with a par value of €4 (2009: 8,498,377 shares) to membersof the PEG, for a total of €143 million (2009: €134 million).

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

Standard plans

Under the standard plans, eligible employees are offered the opportunity to invest in Saint-Gobain stock at a 20% discount. The stock is subject to a five or ten-year lock-up, except following the occurrence of certain events. The compensation cost recorded in accordance with IFRS 2 is measured by reference to the fair value of a discount offered on restricted stock (i.e. stock subject to a lock-up). The cost of the lock-up for the employee is defined as the cost of a two-step strategy that involves first selling the restricted stock forward five or ten years and then purchasing the same number of shares on the spot market and financing the purchase with debt. The borrowing cost is estimated at the rate that would be charged by a bank to an individual with an average risk profile for a general purpose five- or ten-year consumer loan repayable at maturity (see Note 1 for details of the calculation).

The standard plan cost recorded in the income statement amounted to €2.8 million in 2010 (2009: €7 million), net of the lock-up cost for employees of €21.1 million (2009: €31.2 million).

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

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

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

Leveraged plan

Under the leveraged plan, eligible employees are offered the opportunity to invest in Saint-Gobain stock at a 15% discount. The yield profile of the leveraged plan is different from that of the standard plans, as a third-party bank tops up the employee's initial investment, essentially multiplying by ten the amount paid by the employee. The bank's intervention secures the initial funding, secures the yield for the employee and increases the indexation on a leveraged number of directly subscribed shares.
The plan costs are calculated under IFRS 2 in the same way as for non-leveraged plans (see Note 1), but also take into account the advantage accruing to employees who have access to share prices with a volatility profile adapted to institutional investors.

No leveraged plans were set up in 2010 or 2009.

NOTE 13 – PERFORMANCE SHARE PLAN

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

- A worldwide plan authorized by the Board of Directors on November 19, 2009 whereby eligible employees and officers of the Saint-Gobain Group in France and abroad were each awarded seven performance shares. The eligibility criterion is subject to a period of service within the Group and to a performance criterion. In all, a total of 1,359,960 performance shares may vest, as follows:
  - For eligible Group employees in France, Spain and Italy, the vesting period will end on March 29, 2012 and the shares will be delivered on March 30, 2012. The vesting period will be followed by a two-year lock-up, such that the shares may not be sold until March 31, 2014 except in the case of the grantee's death or disability.
  - For eligible Group employees in all other countries, the vesting period will end on March 30, 2014 and the shares will be delivered on March 31, 2014. No lock-up period will apply.

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

- A performance share plan for eligible employees and officers of the Saint-Gobain Group in France and abroad authorized by the Board of Directors on November 18, 2010. The eligibility criterion is subject to a period of service within the Group and to a performance criterion. In all, an estimated 737,550 performance shares may vest under the plan, as follows:
  - For eligible Group employees in France, the vesting period will end on March 29, 2013 and the shares will be delivered on March 30, 2013. The vesting period will be followed by a two-year lock-up, such that the shares may not be sold until March 31, 2015 except in the case of the grantee's death or disability.
  - For eligible Group employees outside France, the vesting period will end on March 30, 2015 and the shares will be delivered on March 31, 2015. No lock-up period will apply.

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

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

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

The cost recorded in the income statement for the two plans amounted to €12.7 million in 2010 (2009: €2.4 million).

NOTE 14 – PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

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

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

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

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

(in EUR millions)	**Pension and other post-employment benefit obligations**	**Fair value of plan assets**	**Other**	**Net pension and other post-employment benefit obligations**
At January 1, 2009	**6,803**	**(4,976)**	**222**	**2,049**
Movements during the year				
Service cost	148			148
Interest cost/return on plan assets	415	(323)		92
Contributions to pension		(172)		(172)
Employee contributions		(20)		(20)
Actuarial gains and losses and asset ceiling	953	(98)	(131)	724
Currency translation adjustment	114	(146)	9	(23)
Benefit payments	(419)	340		(79)
Past service cost	2			2
Changes in Group structure	4			4
Curtailments/settlements	(21)	11		(10)
Other			(28)	(28)
Total movements	**1,196**	**(408)**	**(150)**	**638**
At December 31, 2009	**7,999**	**(5,384)**	**72**	**2,687**
Movements during the year				
Service cost	174			174
Interest cost/return on plan assets	454	(355)		99
Contributions to pension		(375)		(375)
Employee contributions		(21)		(21)
Actuarial gains and losses and asset ceiling	330	(180)	(8)	142
Currency translation adjustment	367	(247)	2	122
Benefit payments	(429)	346		(83)
Past service cost	8			8
Changes in Group structure	10	(5)		5
Curtailments/settlements	(21)			(21)
Other		(3)	(28)	(31)
Total movements	**893**	**(840)**	**(34)**	**19**
At December 31, 2010	**8,892**	**(6,224)**	**38**	**2,706**

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

December 31, 2010 *(in EUR millions)*	**France**	**Other Western European countries**	**North America**	**Rest of the World**	**Net total**
Defined benefit obligation - funded plans	399	4,941	2,506	129	7,975
Defined benefit obligation - unfunded plans	214	269	400	34	917
Fair value of plan assets	182	4,178	1,770	94	6,224
Deficit/(surplus)	431	1,032	1,136	69	2,668
Asset ceiling					9
Insured plans					29
Net pension and other post-employment benefit obligations					**2,706**

December 31, 2009 *(in EUR millions)*	**France**	**Other Western European countries**	**North America**	**Rest of the World**	**Net total**
Defined benefit obligation - funded plans	369	4,602	2,103	90	7,164
Defined benefit obligation - unfunded plans	197	249	359	30	835
Fair value of plan assets	165	3,772	1,375	72	5,384
Deficit/(surplus)	401	1,079	1,087	48	2,615
Asset ceiling					15
Insured plans					57
Net pension and other post-employment benefit obligations					**2,687**

Description of defined benefit plans

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

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

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

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

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

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

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

Measurement of pension and other post-employment benefit obligations

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

The Group's total pension and other post-employment benefit obligations amounted to €8,892 million at December 31, 2010 (December 31, 2009: €7,999 million).

Plan assets

For defined benefit plans, plan assets have been progressively built up by contributions, primarily in the United States, the United Kingdom and Germany. Contributions paid by the Group totaled €375 million in 2010 (2009: €172 million). The actual return on plan assets came to €535 million for the year (2009: €421 million.)

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

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

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

Actuarial assumptions used to measure defined benefit obligations and plan assets

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

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

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

The assumptions used in 2009 for the Group's main plans were as follows:

	France	Other European countries		United States
(in %)		Euro zone	United Kingdom	
Discount rate	5.00%	5.00%	5.75%	6.00%
Salary increases	2.40%	2.75% à 3.25%	3.85%	3.00%
Expected return on plan assets	5.00%	3.50% à 5.25%	6.00%	8.75%
Inflation rate	1.90%	1.90% à 2.75%	3.35%	2.20%

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

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

The same assumptions concerning mortality, employee turnover and interest rates are used to determine the Group's defined benefit obligations for other long-term employee benefits. In the United States, retirees' healthcare costs are projected to rise by 8.25% per year. A 1-point increase in this rate would lead to an increase in the related defined benefit obligation of around €45 million.

Expected rates of return on plan assets are estimated by country and by plan, taking into account the different classes of assets held by the plan and the outlook in the various financial markets. In 2010, firm financial markets, particularly in the second half, led to an actual return on plan assets of €535 million versus an expected return of €355 million. A 50 bps change in the estimated return on plan assets would have a €31 million impact on profit for the year.

Actuarial gains and losses

In 2006, the Group elected to apply the option available under IAS 19 and to record in equity actuarial gains and losses and the change in the asset ceiling. In 2010, €142 million was recognized in equity (increase in provisions). This amount corresponds to €330 million in actuarial differences, including a €32 million negative experience adjustment (corresponding to the effects of differences between previous actuarial assumptions and what has actually occurred), less €8 million due to a lowering of the asset ceiling, and less the €180 million decrease in the defined benefit obligation resulting from an increase in plan assets.

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

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

Plan surpluses and the asset ceiling

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

Contributions to insured plans

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

Employee benefits expense

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

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

Additional information about defined contribution plans

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

NOTE 15 – CURRENT AND DEFERRED TAXES

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

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

Income tax expense breaks down as follows:

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

The effective tax rate breaks down as follows:

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

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

(in EUR millions)	**Net deferred tax liability**
At January 1, 2009	**623**
Deferred tax expense/(benefit)	(242)
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (Note 14)	(217)
Translation adjustments	41
Impact of changes in Group structure and other	40
At December 31, 2009	**245**
Deferred tax expense/(benefit)	36
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (Note 14)	(40)
Translation adjustments	(14)
Impact of changes in Group structure and other	(18)
At December 31, 2010	**209**

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

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

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

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

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

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

NOTE 16 – OTHER CURRENT AND NON-CURRENT LIABILITIES AND PROVISIONS

(in EUR millions)	Provisions for claims and litigation	Provisions for environmental risks	Provisions for restructuring costs	Provisions for personnel costs	Provisions for customer warranties	Provisions for other contingencies	Investment-related liabilities	Total
At January 1, 2009								
Current portion	95	24	80	32	81	120	28	460
Non-current portion	1,241	134	61	44	147	232	91	1,950
Total	**1,336**	**158**	**141**	**76**	**228**	**352**	**119**	**2,410**
Movements during the year								
Additions	125	14	215	33	64	118		569
Reversals	(1)	(7)	(9)	(15)	(15)	(57)		(104)
Utilizations	(88)	(10)	(102)	(18)	(33)	(25)		(276)
Changes in Group structure	1	8	1	1	0	7	42	60
Other (reclassifications and translation adjustments)	(8)	4	(6)	5	(3)	61	(25)	28
Total movements	**29**	**9**	**99**	**6**	**13**	**104**	**17**	**277**
At December 31, 2009								
Current portion	92	34	133	38	88	128	5	518
Non-current portion	1,273	133	107	44	153	328	131	2,169
Total	**1,365**	**167**	**240**	**82**	**241**	**456**	**136**	**2,687**
Movements during the year								
Additions	166	28	136	31	83	77		521
Reversals		(17)	(26)	(9)	(19)	(74)		(145)
Utilizations	(120)	(10)	(126)	(16)	(63)	(66)		(401)
Changes in Group structure						2	9	11
Other (reclassifications and translation adjustments)	27	6	13	4	15	4	13	82
Total movements	**73**	**7**	**(3)**	**10**	**16**	**(57)**	**22**	**68**
At December 31, 2010								
Current portion	100	37	117	45	100	113	15	527
Non-current portion	1,338	137	120	47	157	286	143	2,228
Total	**1,438**	**174**	**237**	**92**	**257**	**399**	**158**	**2,755**

Provisions for claims and litigation

In 2010, provisions for claims and litigation covered potential costs arising from investigations by the competition authorities involving the Flat Glass business and from asbestos-related litigation. These provisions are described in further detail in Note 27.

Provisions for environmental risks

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

Provisions for restructuring costs

Provisions for restructuring costs came to €237 million at December 31, 2010 (December 31, 2009: €240 million), including net additions of €110 million during the year. The provisions primarily concern France (€44 million), Benelux (€44 million), Germany (€35 million), the United Kingdom (€30 million) and the United States (€29 million).

Provisions for personnel costs

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

Provisions for customer warranties

These provisions cover the Group's commitments under the warranties granted to customers in the United States and other markets.

Provisions for other contingencies

At December 31, 2010, provisions for other contingencies amounted to €399 million and mainly concerned France (€139 million), Germany (€82 million), the United States (€68 million), Latin America (€39 million), Italy (€24 million) and Spain (€21 million).

Investment-related liabilities

In 2010 and 2009, changes in investment-related liabilities primarily concerned put options granted to minority shareholders, additional purchase consideration and deferred payments on acquisitions.

NOTE 17 – TRADE AND OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

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

NOTE 18 – RISK FACTORS

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

Liquidity risk on financing

In a crisis environment the Group could be unable to raise the financing or refinancing needed to cover its investment plans on the credit market or the capital market, or to obtain such financing or refinancing on acceptable terms.
There is also no guarantee that the Company's credit rating will remain at the current level.

The Group's overall exposure to liquidity risk on net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain. Except in special cases, all of the Group companies' long-term financing needs and the majority of their short-term financing needs are met by Compagnie de Saint-Gobain or by the national delegations' cash pools.

The main objective of liquidity risk management processes is to guarantee that the Group's financing sources will be rolled over and to optimize annual borrowing costs. Long-term debt therefore systematically represents a high percentage of overall debt. At the same time, the maturity schedules of long-term debt are set in such a way that replacement capital markets issues are spread over time.

Medium-term notes are the main source of long-term financing used by the Group, along with bonds. However it also uses perpetual bonds, participating securities, bank borrowings and lease financing.

Short-term debt is composed mainly of borrowings under French Commercial Paper ("*Billets de Trésorerie*") programs and, from time-to-time, Euro Commercial Paper and US Commercial Paper programs, but also includes

receivables securitization programs and bank overdrafts. Short-term financial assets comprise marketable securities and cash equivalents.

To maintain secure sources of financing, Compagnie de Saint-Gobain has various confirmed syndicated lines of credit.

A breakdown of long- and short-term debt is provided by type and maturity in Note 19. Details of amounts, currencies, and acceleration clauses of the Group's financing programs and confirmed credit lines are also discussed in Note 19.

Saint-Gobain's long-term debt issues have been rated BBB with a stable outlook by Standard & Poor's since July 24, 2009 and Baa2 with a stable outlook by Moody's since July 31, 2009.

Liquidity risk on investments

Short-term investments consist of bank deposits and mutual fund units. To reduce liquidity or volatility risk, whenever possible, the Group invests in money market and/or bond funds.

Interest rate risks

The Group's overall exposure to interest rate risk on net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain using the same financing structures and methods as for liquidity risk. Where subsidiaries use derivatives to hedge interest rate risks, their counterparty is Compagnie de Saint-Gobain, the Group's parent company.

The Group's overall exposure to interest rate risk on consolidated debt is managed primarily with the objective of fixing the cost of medium-term debt and optimizing annual borrowing costs. According to Group policy, the derivative financial instruments used to hedge these risks comprise interest rate swaps, options - including caps, floors and swaptions – and forward rate agreements.

Based on a sensitivity analysis of the Group's total net debt after hedging, a 50-basis point increase in interest rates at the balance sheet date would lead to a €13 millionincrease in equity and a €0.1 million increase in income.

Foreign exchange risk

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

Foreign exchange risks are managed by hedging commercial transactions carried out by Group entities in currencies other than their functional currencies. Compagnie de Saint-Gobain and its subsidiaries use options and forward contracts to hedge exposures arising from current and future commercial transactions. The subsidiaries set up options exclusively through the Group's parent company, Compagnie de Saint-Gobain, which then takes a reverse position on the market.

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

Wherever possible, foreign exchange risks are hedged with Compagnie de Saint-Gobain upon receipt of the orders sent by the subsidiaries, or with the local delegations' cash pools. In other cases, hedges are contracted with the subsidiaries' banks.

The Group monitors its exposure to foreign exchange risk using a monthly reporting system which captures the foreign exchange positions taken by subsidiaries. At December 31, 2010, 97% of the Group's foreign exchange position was hedged.

The net foreign exchange exposure of subsidiaries whose functional currency is not one of those presented below was as follows at December 31, 2010:

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

Based on a sensitivity analysis at December 31, 2010, a 10% increase in the exchange rates of the main currencies used by subsidiaries would have the following negative impact on net income:

(in EUR millions)	**Net gain or loss**
EUR	(0.8)
USD	0.1

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

Energy and raw materials risk

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

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

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

The steering committee does not manage hedges not mentioned above because:

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

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

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

There can be no guarantee that raw materials that are not hedged as explained above will not be subject to sudden, considerable or unforeseen fluctuations.

Credit risk

The Group may be exposed to the risk of losses on cash and other financial instruments held or managed on its behalf by financial institutions, if any of its counterparties defaults on its obligations. Group policy is to limit its exposure by dealing solely with leading counterparties and monitoring their credit ratings, in line with guidelines approved by the Board of Directors. There is no guarantee that this policy will be effective in entirely eliminating counterparty risk. Any default by a counterparty could have a material adverse effect on the Group's objectives, operating income and financial position.

To limit the Group's exposure to credit risk, the Treasury and Financing Department only deals with counterparties with a long-term rating of A- or above from Standard & Poor's or A3 or above from Moody's, with a stable outlook in both cases. Concentrations of credit risks are closely monitored to ensure that they remain at reasonable levels. However, credit risks arising from transactions with financial counterparties can escalate rapidly and a high credit rating is no guarantee that an institution will not experience a rapid deterioration of its financial position.

Note 20 provides details of the Group's interest rate and energy hedges, and the interest rates for the main items of debt. It also provides a breakdown of debt by currency and interest rate (fixed or variable), as well as the interest rate repricing schedule.

NOTE 19 – NET DEBT

Long- and short-term debt

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

(in EUR millions)	**December 31, 2010**	**December 31, 2009**
Bond issues and Medium-Term Notes	7,104	8,151
Perpetual bonds and participating securities	203	203
Other long-term debt including finance leases	332	270
Debt recognized at fair value under the fair value option	157	157
Fair value of interest rate hedges	26	58
Total long-term debt (excluding current portion)	**7,822**	**8,839**
Current portion of long-term debt	**1,094**	**1,880**
Short-term financing programs (US CP, Euro CP, *Billets de trésorerie*)	0	0
Bank overdrafts and other short-term bank borrowings	684	673
Securitizations	327	321
Fair value of derivatives not qualified as hedges of debt	3	(2)
Short-term debt and bank overdrafts	**1,014**	**992**
TOTAL GROSS DEBT	**9,930**	**11,711**
Cash and cash equivalents	(2,762)	(3,157)
TOTAL NET DEBT, INCLUDING ACCRUED INTEREST	**7,168**	**8,554**

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounted to €8.8 billion at December 31, 2010, for a carrying amount of €8.4 billion. The fair value of bonds corresponds to the market price on the last day of the year. For other borrowings, fair value is considered as being equal to the amount repayable.

Long-term debt repayment schedule

Long-term debt at December 31, 2010 can be analyzed as follows by maturity:

(in EUR millions)	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues and Medium-Term Notes	EUR	776	3,624	2,786	7,186
	GBP			694	694
Perpetual bonds and participating securities	EUR			203	203
Other long-term debt including finance leases	All currencies	125	206	125	456
Debt recognized at fair value under the fair value option	EUR	0	157	0	157
Fair value of interest rate hedges	EUR		26		26
TOTAL, EXCLUDING ACCRUED INTEREST		**901**	**4,013**	**3,808**	**8,722**

At December 31, 2010, future interest payments on gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain were due as follows:

(in EUR millions)	Within 1 year	1 to 5 years	Beyond 5 years	Total
Future interest payments on gross long-term debt	398	1,044	458	1,900

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

Bond issues

On March 17, 2010 Compagnie de Saint-Gobain redeemed a €400 million bond issue that had reached maturity.
On April 16, 2010, Saint-Gobain Nederland redeemed a €1 billion bond issue that had reached maturity.
On October 8, 2010, Compagnie de Saint-Gobain issued €750 million worth of 4.00% bonds due 2018. The issue proceeds were used to refinance €634 million worth of bonds due May 2013 (initial nominal amount €750 million, 6.00% coupon, amount refinanced €175 million), September 2013 (initial nominal amount €750 million, 7.25% coupon, amount refinanced €145 million) and July 2014 (initial nominal amount €1 billion, 8.25% coupon, amount refinanced €314 million). In addition, to optimize the investment of its liquid assets, Compagnie de Saint-Gobain bought back €323 million in 4.25% bonds from a €1.1 billion issue due May 2011

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

Perpetual bonds

In 1985, Compagnie de Saint-Gobain issued €125 million worth of perpetual bonds – 25,000 bonds with a face value of €5,000 – paying interest at a variable rate indexed to Euribor. These securities are not redeemable and the interest paid on them is reported under "Borrowing costs".

At December 31, 2010, 18,496 perpetual bonds had been bought back and canceled and 6,504 perpetual bonds were outstanding, representing a total face value of €33 million.

Participating securities

In the 1980s, Compagnie de Saint-Gobain issued 1,288,299 non-voting participating securities indexed to the average bond rate (TMO) and 194,633 non-voting participating securities indexed to Euribor (minimum). These securities are not redeemable and the interest paid on them is reported under "Borrowing costs".

Some of these securities have been bought back on the market. At December 31, 2010, there were 606,883 TMO-indexed securities and 77,516 Euribor-indexed securities outstanding, representing an aggregate face value of €170 million.

Interest on the 606,883 TMO-indexed securities consists of a fixed portion and a variable portion based on the Group's earnings, subject to a cap of 1.25 times the TMO. Interest on the 77,516 Euribor-indexed securities comprises (i) a fixed portion of 7.5% per year applicable to 60% of the security, and (ii) a variable portion applicable to the remaining 40% of the security, which is linked to consolidated net income of the previous year, subject to the cap specified in the issue agreement.

Financing programs

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

At December 31, 2010, issuance under these programs was as follows:

Programs (in millions of currency units)	Currency	Maturities	Authorized program At Dec. 31, 2010	Outstanding issues At Dec. 31, 2010	Outstanding issues At Dec. 31, 2009
Medium Term Notes	EUR	1 to 30 years	10,000	6,201	6,120
US Commercial Paper	USD	Up to 12 months	1,000*	0	0
Euro Commercial Paper	USD	Up to 12 months	1,000*	0	0
Billets de Trésorerie	EUR	Up to 12 months	3,000	0	0

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

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

Syndicated lines of credit

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

- A €2.5 billion syndicated line of credit obtained in June 2009 and expiring in June 2012. The facility was renegotiated in April 2010 and extended by one year until June 2013. In addition, the amount of the facility was reduced to €2 billion in May 2010, then to €1 billion in December 2010.

The €1 billion facility agreement includes a covenant stipulating that the Group's net debt/ operating income excluding depreciation and amortization of property, plant and equipment and intangible assets ratio, as measured annually at December 31, must at all times represent less than 3.75.
This ratio was complied with at December 31, 2010.

- A €3 billion syndicated line of credit obtained in December 2010. Expiring in December 2015, this facility was used to cancel the €2 billion line of credit expiring in November 2011 and to reduce the June 2009 facility from €2 billion to €1 billion as explained above.

Neither of these confirmed lines of credit was drawn down at December 31, 2010.

Bank overdrafts and other short-term bank borrowings

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

Receivables securitization programs

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

The US program amounted to €153 million at December 31, 2010 (December 31, 2009: €156 million).

The difference between the face value of the sold receivables and the sale proceeds is treated as a financial expense, and amounted to €4.7 million in 2010 (2009: €5.4 million).

The UK program amounted to €174 million at December 31, 2010 (December 31, 2009: €165 million), and the financial expense came to €1.5 million in 2010 (2009: €2.0 million).

Collateral

At December 31, 2010, €40.9 million of Group debt was secured by various non-current assets (real estate and securities).

NOTE 20 – FINANCIAL INSTRUMENTS

Derivatives

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

(in EUR millions)	Fair value at December 31, 2010			Fair value at Dec. 31, 2009	Nominal value broken down by maturity at December 31, 2010			
	Derivatives recorded in assets	Derivatives recorded in liabilities	Total		Within 1 year	1 to 5 years	Beyond 5 years	Total
Fair value hedges								
Interest rate swaps	19		19	4		1,250		**1,250**
Fair value hedges - total	**19**	**0**	**19**	**4**	**0**	**1,250**	**0**	**1,250**
Cash flow hedges								
Forward foreign exchange contracts	3	(1)	2	0	145	8		**153**
Currency options				0				**0**
Interest rate swaps		(45)	(45)	(62)		1,250		**1,250**
Energy and commodity swaps	7	(6)	1	(8)	89	1		**90**
Cash flow hedges - total	**10**	**(52)**	**(42)**	**(70)**	**234**	**1,259**	**0**	**1,493**
Derivatives not qualifying for hedge accounting								
Interest rate swaps	2		2	2		155		**155**
Currency swaps	4	(10)	(6)	0	1,539	19		**1,558**
Energy and commodity swaps	1	(1)	0	0	6			**6**
Forward foreign exchange contracts	0	0	0	0	67	1		**68**
Derivatives not qualifying for hedge accounting - total	**7**	**(11)**	**(4)**	**2**	**1,612**	**175**	**0**	**1,787**
TOTAL	**36**	**(63)**	**(27)**	**(64)**	**1,846**	**2,684**	**0**	**4,530**
o/w derivatives used to hedge net debt	25	(54)	(29)	(56)				0

- *Interest rate swaps*

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

- *Currency swaps*

The Group uses currency swaps for day-to-day cash management purposes and, in some cases, to permit the use of euro-denominated funds to finance foreign currency assets.

- *Forward foreign exchange contracts and currency options*

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

- *Energy and commodity swaps*

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

Impact on equity of financial instruments qualifying for hedge accounting

At December 31, 2010, the cash flow hedging reserve carried in equity in accordance with IFRS had a debit balance of €43 million, mainly breaking down as follows:

- €45 million unrealized loss corresponding to the remeasurement at fair value of interest rate swaps designated as cash flow hedges that are used to fix the interest rate on bonds.
- €3 million unrealized gain corresponding to the remeasurement at fair value of other cash flows hedges to be reclassified to income when the hedged items affect income.

The ineffective portion of gains and losses on cash flow hedges is not material.

Impact on income of financial instruments not qualifying for hedge accounting

The fair value of derivatives classified as financial assets and liabilities at fair value through profit or loss amounted to €4 million loss at December 31, 2010 (December 31, 2009: €2 million profit).

Embedded derivatives

Saint-Gobain regularly analyzes its contracts in order to separately identify financial instruments classified as embedded derivatives under IFRS. At December 31, 2010, no embedded derivatives deemed to be material at Group level were identified.

Group debt structure

The weighted average interest rate on total debt under IFRS, after hedging (using currency swaps and interest rate swaps) was 4.8% at December 31, 2010 (December 31, 2009: 5.2%).

The average internal rates of return for the main components of long-term debt before hedging were as follows in 2010 and in 2009:

Internal rate of return on long-term debt (in %)	December 31, 2010	December 31, 2009
Bonds and Medium Term Notes	5.35	5.35
Perpetual bonds and participating securities	3.97	4.92

The table below presents the breakdown by currency and by interest rate (fixed or variable) of the Group's gross debt at December 31, 2010, after giving effect to interest rate swaps and currency swaps.

Gross debt denominated in foreign currencies *(in EUR millions)*	**After hedging** Variable rate	Fixed rate	**Total**
EUR	2,503	6,056	8,559
GBP	(262)	695	433
USD	26	10	36
NOK, SEK and DKK	211	2	213
Other currencies	240	163	403
TOTAL	**2,718**	**6,926**	**9,644**
	28%	72%	100%
Fair value of related derivatives			29
Accrued interest			257
TOTAL GROSS DEBT			**9,930**

Interest rate repricing schedule for debt

The table below shows the interest rate repricing schedule at December 31, 2010 for gross debt after hedging:

(in EUR millions)	**Within 1 year**	**1 to 5 years**	**Beyond 5 years**	**Total**
Gross debt	3,862	2,557	3,511	9,930
Impact of interest rate swaps	(1,250)	1,250		0
GROSS DEBT AFTER HEDGING	**2,612**	**3,807**	**3,511**	**9,930**

NOTE 21 – FINANCIAL ASSETS AND LIABILITIES

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

(in EUR millions)	Notes	December 31, 2010	December 31, 2009
Loans and receivables			
Trade and other accounts receivable	(9)	6,286	6,128
Loans and deposits	(7)	210	188
Available-for-sale financial assets			
Available for sale and other securities (a)	(7)	25	28
Financial assets at fair value through profit or loss			
Derivatives recorded in assets (b)	(19)(20)	25	15
Cash and cash equivalents (c)	(19)	2,762	3,157
Financial liabilities at amortized cost			
Trade and other accounts payable	(17)	(9,085)	(8,424)
Long and short-term debt	(19)	(9,724)	(11,489)
Financial liabilities at fair value			
Long and short-term debt (d)	(19)	(177)	(166)
Derivatives recorded in liabilities (b)	(19)(20)	(54)	(71)

(a) Available-for-sale financial assets are generally measured at historical cost except for securities traded in an active market which are measured at the year-end market price, corresponding to level 1 in the fair value hierarchy under IFRS 7.

(b) Derivatives consist mainly of interest rate swaps and forward foreign exchange contracts. The fair value of these instruments is measured using the discounted cash flows method, corresponding to level 2 in the fair value hierarchy under IFRS 7.

(c) Marketable securities included in cash and cash equivalents consist of mutual fund units measured at their net asset value, corresponding to level 1 in the fair value hierarchy under IFRS 7.

(d) Long- and short-term debt is measured at fair value using the discounted cash flows method, corresponding to level 2 in the fair value hierarchy under IFRS 7.

NOTE 22 – BUSINESS INCOME BY EXPENSE TYPE

(in EUR millions)	**2010**	**2009**
Net sales	**40,119**	**37,786**
Personnel costs		
Salaries and payroll taxes	(7,825)	(7,476)
Share-based payments [(a)]	(41)	(40)
Pensions	(165)	(139)
Depreciation and amortization	(1,535)	(1,514)
Other [(b)]	(27,436)	(26,401)
Operating income	**3,117**	**2,216**
Other business income [(c)]	87	36
Negative goodwill recognized in income	0	0
Other business income	**87**	**36**
Restructuring costs [(d)]	(242)	(435)
Provisions and expenses relating to claims and litigation [(e)]	(161)	(123)
Impairment of assets and other business expenses [(f)]	(235)	(416)
Other	(42)	(38)
Other business expense	**(680)**	**(1,012)**
Business income	**2,524**	**1,240**

(a) Details of share-based payments are provided in Notes 11, 12 and 13.

(b) This corresponds to the cost of goods sold by the Building Distribution Sector and transport costs, raw materials costs and other production costs for the other Sectors. This item also includes net foreign exchange gains and losses, representing almost a nil amount in 2010, compared with a net foreign exchange loss of €18 million in 2009. In 2010, research and development costs recorded under operating expenses amounted to €402 million (2009: €386 million).

(c) In 2010, other business income included capital gains on disposals of property, plant and equipment and intangible assets.

(d) Restructuring costs in 2010 mainly consisted of employee termination benefits in an amount of €155 million (2009: €327 million).

(e) In the periods presented, provisions and expenses relating to claims and litigation corresponded for the most part to asbestos-related litigation and the provision for the competition litigation discussed in Notes 16 and 27.

(f) Impairment losses on assets and other business expenses in 2010 included impairment losses of €87 million on goodwill (2009: €210 million) and €313 million on property, plant and equipment and intangible assets (2009: €91 million). The balance corresponds to impairment losses on financial assets and current assets.

NOTE 23 – NET FINANCIAL EXPENSE

Breakdown of other financial income and expense

(in EUR millions)	**2010**	**2009**
Interest cost - pension and other post-employment benefit obligations	(464)	(440)
Return on plan assets	355	338
Interest cost - pension and other post-employment benefit obligations - net	**(109)**	**(102)**
Other financial expense	(123)	(101)
Other financial income	12	18
Other financial income and expense	**(220)**	**(185)**

Recognition of financial instruments

Net financial expense amounted to €739 million in 2010 (2009: €805 million). Of this amount, €503.1 million (2009: €585.5 million) relates to instruments carried at amortized cost by Compagnie de Saint-Gobain and Saint-Gobain Nederland. Instruments measured at fair value by these two entities resulted in a positive impact of €0.4 million (2009: €20.5 million).

NOTE 24 – RECURRING NET INCOME – CASH FLOW FROM OPERATIONS – EBITDA

Recurring net income totaled €1,335 million in 2010(2009: €617 million). Based on the weighted average number of shares outstanding at December 31 (517,954,691 shares in 2010, 473,244,410 shares in 2009), recurring earnings per share amounted to €2.58 in 2010 and €1.30 in 209.

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

(in EUR millions)	**2010**	**2009**
Net income attributable to equity holders of the parent	**1,129**	**202**
Less:		
Gains on disposals of assets	87	(32)
Impairment of assets	(235)	(348)
Provision for competition litigation and other non-recurring provision charges	(75)	(71)
Impact of minority interests	0	1
Tax impact	17	35
Recurring net income attributable to equity holders of the parent	**1,335**	**617**

Cash flow from operations for 2010 amounted to €3,004 million (2009: €2,303 million). Excluding tax on capital gains and losses, cash flow from operations came to €2,987 million in 2010 (2009: €2,268 million). These amounts are calculated as follows:

(in EUR millions)	**2010**	**2009**
Net income attributable to equity holders of the parent	**1,129**	**202**
Minority interests in net income	84	39
Share in net income of associates, net of dividends received	(5)	2
Depreciation, amortization and impairment of assets	1,755	1,857
Gains and losses on disposals of assets	(87)	32
Non-recurring charges to provisions	75	71
Unrealized gains and losses arising from changes in fair value and share-based payments	53	100
Cash flow from operations	**3,004**	**2,303**
Tax on capital gains and losses and non-recurring charges to provisions	(17)	(35)
Cash flow from operations before tax on capital gains and losses and non-recurring charges to provisions	**2,987**	**2,268**

EBITDA amounted to €4,652 million in 2010 (2009: €3,730 million), calculated as follows:

(in EUR millions)	**2010**	**2009**
Operating income	3,117	2,216
Depreciation and amortization	1,535	1,514
EBITDA	**4,652**	**3,730**

NOTE 25 – EARNINGS PER SHARE

The calculation of earnings per share is shown below.

(in EUR millions)	**Net income attributable to equity holders of the parent**	**Number of shares**	**Earnings per share (in EUR)**
2010			
Weighted average number of shares outstanding	**1,129**	517,954,691	**2.18**
Weighted average number of shares assuming full dilution	**1,129**	519,887,155	**2.17**
2009			
Weighted average number of shares outstanding	**202**	473,244,410	**0.43**
Weighted average number of shares assuming full dilution	**202**	473,543,327	**0.43**

The weighted average number of shares outstanding is calculated by deducting treasury stock (5,113,897 shares at December 31, 2010) from the average number of shares outstanding during the year.

The weighted average number of shares assuming full dilution is calculated based on the weighted average number of shares outstanding, assuming conversion of all dilutive instruments. The Group's dilutive instruments consist of stock options and performance share grants corresponding to a weighted average of 1,168,941 shares and 763,523 shares respectively in 2010.

NOTE 26 – COMMITMENTS

The Group's contractual obligations and commercial commitments are described below, except for commitments related to debt and financial instruments, which are discussed in Notes 19 and 20, respectively.

The Group has no other material commitments.

Obligations under finance leases

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

At December 31, 2010, €44 million of future minimumlease payments due under finance leases concerned land and buildings. Total assets under finance leases recognized in consolidated assets amounted to €130 million at December 31, 2010 (December 31, 2009: €168 million)

(in EUR millions)	**December 31, 2010**	**December 31, 2009**
Future minimum lease payments		
Due within 1 year	42	46
Due in 1 to 5 years	65	85
Due beyond 5 years	13	19
Total	**120**	**150**
Less finance charge	(12)	(16)
Present value of future minimum lease payments	**108**	**134**

Obligations under operating leases

The Group leases equipment, vehicles and office, manufacturing and warehouse space under various non-cancelable operating leases. Lease terms generally range from 1 to 9 years. The leases contain rollover options for varying periods of time and some include clauses covering the payment of real estate taxes and insurance. In most cases, management expects that these leases will be rolled over or replaced by other leases in the normal course of business.

Net rental expense was €741 million in 2010, corresponding to rental expense of €759 million – of which €488 million for property leases – less €18 million in revenue from subleases.

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

(in EUR millions)	Total 2010	Payments due Within 1 year	In 1 to 5 years	Beyond 5 years	Total 2009
Operating leases					
Rental expense	**2,697**	666	1,395	636	**3,059**
Subletting revenue	**(46)**	(14)	(22)	(10)	**(66)**
Total	**2,651**	**652**	**1,373**	**626**	**2,993**

Non-cancelable purchase commitments

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

(in EUR millions)	Total 2010	Payments due Within 1 year	In 1 to 5 years	Beyond 5 years	Total 2009
Non-cancelable purchase commitments					
Non-current assets	**184**	166	17	1	**97**
Raw materials	**624**	259	303	62	**525**
Services	**119**	52	64	3	**112**
Other	**127**	58	63	6	**172**
Total	**1,054**	**535**	**447**	**72**	**906**

Guarantee commitments

In some cases, the Group grants seller's warranties to the buyers of divested businesses. A provision is set aside whenever a risk is identified and the related cost can be estimated reliably.
The Group also receives guarantees, amounting to €95 million at December 31, 2010 (December 31, 2009: €102 million).

Commercial commitments

(in EUR millions)	Total 2010	Payments due			Total 2009
		Within 1 year	In 1 to 5 years	Beyond 5 years	
Commercial commitments					
Security for borrowings	**37**	14	1	22	**54**
Written put options	**0**				**0**
Other commitments given	**237**	86	29	122	**119**
Total	**274**	**100**	**30**	**144**	**173**

At December 31, 2010, pledged assets amounted to €70 million and mainly concerned fixed assets in Brazil (December 31, 2009: €215 million, mainly concerningfixed assets in India).

Guarantees given to the Group in respect of receivables amounted to €100 million at December 31, 2010(December 31, 2009: €79 million).

Other commitments

Greenhouse gas emissions allowances granted to Group companies under the 2008-2012 plan represent approximately 6.9 million metric tons of CO_2 emissions per year. The 2009 and 2010 allowances are above the greenhouse gas emissions for those years and, consequently, no provision has been recorded in this respect in the Group accounts.

NOTE 27 – LITIGATION

Asbestos-related litigation in France

In France, further individual lawsuits were filed in 2010 by former employees (or persons claiming through them) of Everite and Saint-Gobain PAM ("the employers") – which in the past had carried out fiber-cement operations – for asbestos-related occupational diseases, with the aim of obtaining supplementary compensation over and above the amounts paid by the French Social Security authorities in this respect. A total of 722 such lawsuits have been issued against the two companies since 1997.

At December 31, 2010, 642 of these 722 lawsuits had been completed in terms of both liability and quantum. In all of these cases, the employers were held liable on the grounds of "inexcusable fault".

Everite and Saint-Gobain PAM were held liable to pay a total amount of less than €1.3 million in compensation in settlement of these lawsuits.

Concerning the 80 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2010, the merits of 17 have been decided but the compensation awards have not yet been made, pending issue of medical reports or Appeal Court rulings. In all these cases except 2, the Social Security authorities were ordered to pay compensation for the victims for procedural reasons (non-opposability). A further 33 of these 80 lawsuits have

been completed in terms of both liability and quantum but liability for the payment of compensation has not yet been assigned.

Of the 30 remaining lawsuits, at December 31, 2010 the procedures relating to the merits of 28 cases were at different stages, with 8 being investigated by the French Social Security authorities and 20 pending before the Social Security courts. The final two suits have been withdrawn by the plaintiffs who can ask for them to be re-activated at any time within a two-year period.

In addition, as of December 31, 2010, 140 suits based on inexcusable fault had been filed by current or former employees of 12 other French companies in the Group (excluding Saint-Gobain Desjonquères and Saint-Gobain Vetrotex, which have been sold), in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.

At that date, 93 lawsuits had been completed. In 29 of these cases, the employer was held liable for inexcusable fault.

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

Asbestos-related litigation in the United States

In the United States, several companies that once manufactured products containing asbestos such as asbestos-cement pipes, roofing products, specialized insulation or gaskets, are facing legal action from persons other than their employees or former employees. These claims for compensatory – and in many cases punitive – damages are based on alleged exposure to the products, although in many instances the claimants cannot demonstrate any specific exposure to one or more products, or any specific illness or physical disability. The vast majority of these claims are made simultaneously against many other non-Group entities which have been manufacturers, distributors, installers or users of products containing asbestos.

- **Developments in 2010**

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

Almost all of the claims against CertainTeed are settled out of court. Approximately 13,000 of the pending claims were resolved in 2010, compared to 8,000 in 2009, in 2008 and in 2007, and compared to 12,000 in 2006. Taking into account the 64,000 outstanding claims at the end of 2009 and the new claims having arisen during the year, as well as claims settled, some 56,000 claims were outstanding at December 31, 2010. A large number of these pending claims were filed more than five years ago by individuals without any significant asbestos-related impairment, and it is likely that many of these claims ultimately will be dismissed.

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

The Group recorded a €97 million charge in 2010 to cover future developments in relation to claims involving CertainTeed. This amount is higher than the €75 million recorded in 2009 and 2008, and relatively close to the €90 million recorded in 2007 and the €95 million reorded in 2006. At December 31, 2010, the Group reserve for asbestos-related claims against CertainTeed in the United States amount to €375 million (USD 501 million), compared with €347 million, (USD 500 million) at December 31, 2009, €361 million (USD 502 million) at December 31, 2008, €321 million (USD 473 million) at December 31, 2007, and €342 million (USD 451 million) at December 31, 2006.

- **Cash flow impact**

Compensation paid in respect of these claims against CertainTeed, including claims settled prior to 2010 but only paid out in 2010, and those fully resolved and paid in 2010, and compensation paid (net of insurance) in 2010 by other Group businesses in connection with asbestos-related litigation, amounted to €78 million (USD 103 million), compared to €55 million (USD 77 million) in 2009, €48 million (USD 71 million) in 2008, €53 million (USD 73 million) in 2007, and €67 million (USD 84 million) in 2006. The increase in the total amount of compensation paid in 2010 compared to the amount paid in 2009 is mainly due to a higher number of resolved claims and timing issues that delayed some settlement payments from late 2009 to early 2010.

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

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

In the November 12, 2008 decision concerning its investigation into automotive glass manufacturers, the European Commission held that Saint-Gobain Glass France, Saint-Gobain Sekurit France and Saint-Gobain Sekurit Deutschland Gmbh had violated Article 81 of the Treaty of Rome and fined them €896 million. Compagnie de Saint-Gobain was held jointly and severally liable for the payment of this amount.
The companies concerned believe the fine is excessive and disproportionate, and have appealed the decision before the General Court of the European Union.
The European Commission has granted them a stay of payment until the appeal has been heard, in exchange for a bond covering the €896 million fine and the related interest, calculated at the rate of 5.25% from March 9, 2009. The necessary steps were taken to set up this bond within the required timeframe.

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

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

NOTE 28 – RELATED-PARTY TRANSACTIONS

Balances and transactions with associates

(in EUR millions)	**2010**	**2009**
Assets		
Financial receivables	1	1
Inventories	0	0
Short-term receivables	9	11
Cash and cash equivalents	0	0
Provisions for impairment in value	0	1
Liabilities		
Short-term debt	3	3
Cash advances	1	1
Expenses		
Purchases	8	16
Income		
Sales	34	40

Revenue from transactions with proportionately consolidated companies

Transactions with proportionately consolidated companies are treated as transactions with external parties and the Group's share of revenue arising from such transactions is not eliminated on consolidation. In 2010, these revenues amounted to €21 million (2009: €11 million).

Transactions with key shareholders

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

NOTE 29 - JOINT VENTURES

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

(in EUR millions)	**2010**	**2009**
Assets		
Non-current assets	277	283
Current assets	164	140
Liabilities		
Non-current liabilities	22	35
Current liabilities	88	119
Expenses		
Operating expenses	247	263
Income		
Sales	310	311

NOTE 30 – MANAGEMENT COMPENSATION

Direct and indirect compensation and benefits paid to members of the Board of Directors and the Group's senior management were as follows in 2010:

(in EUR millions)	**2010**	**2009**
Attendance fees	0.8	0.8
Direct and indirect compensation (gross):		
Fixed portion	7.7	7.6
Variable portion	3.2	2.6
Estimated compensation cost - pensions and other employee benefits (IAS 19)	1.6	2.1
Expense relating to stock options	7.3	8.2
Termination benefits	0.0	0.0
Total	**20.6**	**21.3**

Employers' social security contributions relating to the above compensation represented an estimated €3.4 million. Pension obligations for the Group's directors and corporate officers totaled €42.9 million.

NOTE 31 – EMPLOYEES

(Average number of employees)	**2010**	**2009**
Fully consolidated companies		
Managers	25,077	25,179
Administrative employees	78,699	81,005
Other employees	87,875	90,862
Total	**191,651**	**197,046**
Proportionately consolidated companies (*)		
Managers	65	112
Administrative employees	449	584
Other employees	757	971
Sub-total	**1,271**	**1,667**
Total	**192,922**	**198,713**

(*) Proportion of headcount allocated to the Group.

At December 31, 2010, the total number of Group employees – including in proportionately consolidated companies – was 187,891 (December 31, 2009: 189,876).

NOTE 32 – SEGMENT INFORMATION

Segment information by sector and division

Segment information is presented as follows:

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

Management uses several different internal indicators to measure operational performance and to make resource allocation decisions. These indicators are based on the data used to prepare the consolidated financial statements and meet financial reporting requirements. Intragroup ("internal") sales are generally carried out on the same terms as sales to external customers and are eliminated in consolidation. The accounting policies used are the same as those applied for consolidated financial reporting purposes, as described in Note 1.

2010	INNOVATIVE MATERIALS				CONSTRUCTION PRODUCTS				BUILDING DISTRI-BUTION	PACKAGING	Other *	Total
(in EUR millions)	Flat Glass	High Performance Materials	Intra-Segment Elimi-nations	Total	Interior Solutions	Exterior Solutions	Intra-Segment Elimi-nations	Total				
External sales	5,179	3,983		9,162	4,662	5,416		10,078	17,323	3,553	3	40,119
Internal sales	39	105	(23)	121	533	365	(36)	862	3		(986)	0
Net sales	5,218	4,088	(23)	9,283	5,195	5,781	(36)	10,940	17,326	3,553	(983)	40,119
Operating income/(loss)	439	585		1,024	379	685		1,064	578	434	17	3,117
Business income/(loss)	289	594		883	305	623		928	403	404	(94)	2,524
Share in net income/(loss) of associates	1	1		2	5	(3)		2	(1)	2		5
Depreciation and amortization	307	175		482	332	188		520	273	235	25	1,535
Impairment of assets	39	42		81	22	22		44	103	3	1	232
Capital expenditure	413	149		562	195	228		423	188	262	18	1,453
Cash flow from operations				958				834	447	488	277	3,004
EBITDA	746	760		1,506	711	873		1,584	851	669	42	4,652
Goodwill, net				1,459				5,920	3,402	249	0	11,030
Non-amortizable brands				0				835	1,912	0	0	2,747
Total segment assets **				7,093				12,368	8,179	2,171	168	29,979

* "Other" corresponds to a) the elimination of intragroup transactions for internal sales and b) holding company transactions for the other captions.
** Segment assets include net property, plant and equipment, working capital, goodwill and net other intangible assets, after deducting deferred taxes on brands and land.

2009	INNOVATIVE MATERIALS				CONSTRUCTION PRODUCTS				BUILDING DISTRI-BUTION	PACKAGING	Other *	Total
(in EUR millions)	Flat Glass	High Performance Materials	Intra-Segment Elimi-nations	Total	Interior Solutions	Exterior Solutions	Intra-Segment Elimi-nations	Total				
External sales	4,532	3,143		7,675	4,518	5,047		9,565	17,098	3,445	3	37,786
Internal sales	40	97	(20)	117	516	366	(33)	849	3	0	(969)	0
Net sales	4,572	3,240	(20)	7,792	5,034	5,413	(33)	10,414	17,101	3,445	(966)	37,786
Operating income/(loss)	155	215		370	344	641		985	412	437	12	2,216
Business income/(loss)	(46)	116		70	59	580		639	250	395	(114)	1,240
Share in net income/(loss) of associates	1	0		1	(1)	(1)		(2)	2	1	0	2
Depreciation and amortization	289	184		473	328	181		509	286	220	26	1,514
Impairment of assets	8	19		27	235	18		253	18	9	41	348
Capital expenditure	327	130		457	201	167		368	166	260	14	1,265
Cash flow from operations				385				659	283	492	484	2,303
EBITDA	444	399		843	672	822		1,494	698	657	38	3,730
Goodwill, net				1,373				5,757	3,375	235		10,740
Non-amortizable brands				0				820	1,854	0		2,674
Total segment assets **				6,846				12,163	7,979	2,067	272	29,327

* “Other” corresponds to a) the elimination of intragroup transactions for internal sales and b) holding company transactions for the other captions.
** Segment assets include net property, plant and equipment, working capital, goodwill and net other intangible assets, after deducting deferred taxes on brands and land.

Information by geographic area

(in EUR millions)	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	TOTAL
2010						
Net sales	11,388	17,063	5,516	7,983	(1,831)	**40,119**
Total segment assets	6,886	12,373	4,616	6,104		**29,979**
Capital expenditure	291	428	202	532		**1,453**

(in EUR millions)	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	TOTAL
2009						
Net sales	11,495	16,557	4,864	6,377	(1,507)	**37,786**
Total segment assets	6,834	12,532	4,446	5,515		**29,327**
Capital expenditure	265	418	168	414		**1,265**

NOTE 33 – PRINCIPAL FULLY CONSOLIDATED COMPANIES

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

INNOVATIVE MATERIALS SECTOR

FLAT GLASS		
Saint-Gobain Glass France	France	100.00%
Saint-Gobain Sekurit France	France	100.00%
Saint-Gobain Glass Logistics	France	100.00%
Saint-Gobain Sekurit Deutschland GmbH & CO Kg	Germany	99.92%
Saint-Gobain Glass Deutschland GmbH	Germany	99.92%
SG Deutsche Glas GmbH	Germany	99.92%
Saint-Gobain Glass Benelux	Belgium	99.80%
Saint-Gobain Sekurit Benelux SA	Belgium	99.92%
Saint-Gobain Autover Distribution SA	Belgium	99.92%
Koninklijke Saint-Gobain Glass	Netherlands	100.00%
Saint-Gobain Glass Polska Sp Zoo	Poland	99.92%
Saint-Gobain Sekurit Hanglas Polska Sp Zoo	Poland	97.55%
Cebrace Cristal Plano Ltda	Brazil	50.00%
Saint-Gobain Do Brazil Ltda	Brazil	100.00%
Saint-Gobain Cristaleria SA	Spain	99.83%
Solaglas Ltd	United Kingdom	99.97%
Saint-Gobain Glass UK Limited	United Kingdom	99.97%
Saint-Gobain Glass Italia	Italy	100.00%
Saint-Gobain Sekurit Italia	Italy	100.00%
Hankuk Glass Industries	South Korea	80.47%
Hankuk Sekurit Limited	South Korea	90.11%
Saint-Gobain Glass India	India	98.22%
Saint-Gobain Glass Mexico	Mexico	99.83%
HIGH PERFORMANCE MATERIALS		
Saint-Gobain Abrasifs	France	99.93%
Société Européenne des Produits Réfractaires	France	100.00%
Saint-Gobain Abrasives Gmbh	Germany	100.00%
Saint-Gobain Abrasives Inc.	United States	100.00%
Saint-Gobain Ceramics & Plastics Inc.	United States	100.00%
Saint-Gobain Performance Plastics Corp.	United States	100.00%
SG Abrasives Canada Inc.	Canada	100.00%
Saint-Gobain Abrasivi	Italy	99.93%
SEPR Italia	Italy	100.00%
Saint-Gobain Abrasivos Brasil Ltda	Brazil	100.00%
Saint-Gobain Abrasives BV	Netherlands	100.00%
Saint-Gobain Abrasives Ltd	United Kingdom	99.97%
Saint-Gobain Vertex SRO	Czech Republic	100.00%

CONSTRUCTION PRODUCTS SECTOR

INTERIOR SOLUTIONS

Saint-Gobain Isover	France	100.00%
Saint-Gobain Isover G+H AG	Germany	99.91%
Saint-Gobain Gyproc Belgium NV	Belgium	100.00%
CertainTeed Corporation	United States	100.00%
Saint-Gobain Isover AB	Sweden	100.00%
Saint-Gobain Ecophon Group	Sweden	100.00%
Saint-Gobain Construction Product Russia Insulation	Russia	100.00%
BPB Plc	United Kingdom	100.00%
Certain Teed Gypsum & Ceillings USA	United States	100.00%
Certain Teed Gypsum Canada Inc.	Canada	100.00%
Saint-Gobain Gyproc South Africa	South Africa	100.00%
Saint-Gobain Placo Iberica	Spain	99.83%
Saint-Gobain PPC Italia S.p.a	Italy	100.00%
British Gypsum Ltd	United Kingdom	100.00%
Gypsum Industries Ltd	Ireland	100.00%
Placoplatre SA	France	99.75%
Rigips GmbH	Germany	100.00%
Thai Gypsum Products PLC	Thailand	99.66%
Mag Japan	Japan	97.39%

EXTERIOR SOLUTIONS

Saint-Gobain Weber	France	99.99%
Saint-Gobain Do Brazil Ltda	Brazil	100.00%
Saint-Gobain Weber Cemarksa SA	Spain	99.83%
Maxit Group AB	Sweden	100.00%
Saint-Gobain Weber AG	Switzerland	100.00%
Saint-Gobain Weber Germany	Germany	99.99%
CertainTeed Corporation	United States	100.00%
Saint-Gobain PAM SA	France	100.00%
Saint-Gobain PAM Deutschland GmbH	Germany	100.00%
Saint-Gobain PAM UK Limited	United Kingdom	99.97%
Saint-Gobain PAM España SA	Spain	99.83%
Saint-Gobain PAM Italia S.p.a	Italy	100.00%
Saint-Gobain Canalizaçao Ltda	Brazil	100.00%
Saint-Gobain Xuzhou Pipe Co Ltd	China	100.00%
SG Pipelines Co Ltd	China	100.00%

BUILDING DISTRIBUTION SECTOR

Distribution Sanitaire Chauffage	France	100.00%
Lapeyre	France	100.00%
Point.P	France	100.00%
Saint-Gobain Distribucion Construccion, S.L	Spain	99.83%
Saint-Gobain Building Distribution Deutschland GmbH	Germany	100.00%
Saint-Gobain Building Distribution Ltd	United Kingdom	99.97%
Saint-Gobain Distribution The Netherlands B.V	Netherlands	100.00%
Saint-Gobain Distribution Nordic Ab	Sweden	100.00%
Optimera As	Norway	100.00%
Saint-Gobain Distribution Denmark	Denmark	100.00%
Sanitas Troesch Ag	Switzerland	100.00%
Norandex Building Material Distribution Inc.	United States	100.00%

PACKAGING SECTOR

Saint-Gobain Emballage	France	100.00%
Saint-Gobain Vidros SA	Brazil	100.00%
Saint-Gobain Oberland Ag	Germany	96.67%
Saint-Gobain Vicasa SA	Spain	99.75%
Saint-Gobain Containers Inc.	United States	100.00%
Saint-Gobain Vetri S.p.a	Italy	99.99%

NOTE 34 – SUBSEQUENT EVENTS

None.

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