CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2008

GROUP CONSOLIDATION
AND REPORTING

CONSOLIDATED BALANCE SHEET

in € millions	Notes	June 30, 2008	Dec. 31, 2007
ASSETS			
Goodwill	(3)	10,778	9,240
Other intangible assets	(4)	3,043	3,125
Property, plant and equipment	(5)	13,147	12,753
Investments in associates		111	123
Deferred tax assets	(9)	332	328
Other non-current assets		585	472
Non-current assets		**27,996**	**26,041**
Inventories	(6)	6,467	5,833
Trade accounts receivable	(7)	7,553	6,211
Current tax receivable		90	173
Other accounts receivable	(7)	1,589	1,481
Assets held for sale	(2)	104	105
Cash and cash equivalents	(13)	1,722	1,294
Current assets		**17,525**	**15,097**
Total assets		**45,521**	**41,138**
EQUITY AND LIABILITIES			
Capital stock		1,530	1,497
Additional paid-in capital and legal reserve		3,937	3,617
Retained earnings and net income for the period		10,890	10,625
Cumulative translation adjustments		(1,102)	(564)
Fair value reserves		106	8
Treasury stock		(210)	(206)
Shareholders' equity		**15,151**	**14,977**
Minority interests		267	290
Total equity		**15,418**	**15,267**
Long-term debt	(13)	10,726	8,747
Provisions for pensions and other employee benefits	(8)	1,815	1,807
Deferred tax liabilities	(9)	1,269	1,277
Other non-current liabilities	(10)	918	923
Non-current liabilities		**14,728**	**12,754**
Current portion of long-term debt	(13)	687	971
Current portion of other liabilities	(13)	1,024	1,107
Trade accounts payable	(11)	6,146	5,752
Current tax liabilities		395	317
Other payables and accrued expenses	(11)	3,450	3,425
Liabilities held for sale	(2)	43	41
Short-term debt and bank overdrafts	(13)	3,630	1,504
Current liabilities		**15,375**	**13,117**
Total equity and liabilities		**45,521**	**41,138**

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

CONSOLIDATED INCOME STATEMENT

in € millions	Notes	**First-half 2008**	**First-half 2007**
Net sales	(23)	22,141	21,779
Cost of sales	(15)	(16,504)	(16,090)
Selling, general and administrative expenses including research	(15)	(3,632)	(3,596)
Operating income		2,005	2,093
Other business income	(15)	12	261
Other business expense	(15)	(120)	(1,033)
Business income		**1,897**	**1,321**
Borrowing costs, gross		(361)	(350)
Income from cash and cash equivalents		35	36
Borrowing costs, net		(326)	(314)
Other financial income and expense	(17)	(26)	(37)
Net financial expense		**(352)**	**(351)**
Share in net income of associates		7	8
Income taxes	(9)	(444)	(491)
Net income		**1,108**	**487**
Attributable to equity holders of the parent		**1,076**	**465**
Minority interests		32	22
Earnings per share (in €)			
Weighted average number of shares in issue		371,914,226	364,639,299
Basic earnings per share		2.89	1.28
Weighted average number of shares assuming full dilution		374,659,266	372,047,342
Diluted earnings per share		2.87	1.25

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

CONSOLIDATED CASH FLOW STATEMENT

in € millions	Notes	First-half 2008	First-half 2007
Net income attributable to equity holders of the parent		**1,076**	**465**
Minority interests in net income	(*)	32	22
Share in net income of associates, net of dividends received		(3)	(3)
Depreciation, amortization and impairment of assets	(15)	778	1,005
Gains and losses on disposals of assets	(15)	(12)	(252)
Unrealized gains and losses arising from changes in fair value and share-based payments		23	45
Changes in inventories	(6)	(458)	(539)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(7) (11)	(732)	(627)
Changes in tax receivable and payable	(9)	174	102
Changes in deferred taxes and provisions for other liabilities and charges	(8)(9)(10)	(288)	(18)
Provision for non-competition claim	(22)	0	650
Net cash from operating activities		**590**	**850**
Purchases of property, plant and equipment [First-half 2008: (872), First-half 2007: (822)] and intangible assets	(4) (5)	(905)	(858)
Increase (decrease) in amounts due to suppliers of fixed assets	(11)	(195)	(233)
Acquisitions of shares in consolidated companies [First-half 2008: (2,085), First-half 2007: (308)], net of cash acquired	(2)	(2,013)	(267)
Acquisitions of other investments		(93)	(124)
Increase (decrease) in investment-related liabilities	(10)	89	(85)
Investments		**(3,117)**	**(1,567)**
Disposals of property, plant and equipment and intangible assets	(4) (5)	32	53
Disposals of shares in consolidated companies, net of cash divested	(2)	40	488
Disposals of other investments		5	1
Other divestments		1	2
Divestments		**78**	**544**
(Increase) decrease in loans and deposits		10	25
Net cash used in investing activities/divestments		**(3,029)**	**(998)**
Issues of capital stock	(*)	353	310
Minority interests' share in capital increases of subsidiaries	(*)	2	
(Increase) decrease in treasury stock	(*)	(7)	80
Dividends paid	(*)	(767)	(621)
Dividends paid to minority shareholders of consolidated subsidiaries	(*)	(36)	(52)
Increase (decrease) in dividends payable		(10)	(1)
Increase (decrease) in bank overdrafts and other short-term borrowings		1,998	704
Increase in long-term debt		2,251	522
Decrease in long-term debt		(885)	(1,002)
Cash flows from (used in) financing activities		**2,899**	**(60)**
Increase (decrease) in cash and cash equivalents		**460**	**(208)**
Net effect of exchange rate changes on cash and cash equivalents		(32)	11
Cash and cash equivalents classified as assets held for sale			(68)
Cash and cash equivalents at beginning of period		**1,294**	**1,468**
Cash and cash equivalents at end of period		**1,722**	**1,203**

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

Amounts collected and disbursed in respect of interest and tax are not included in the consolidated cash flow statement. They are disclosed in notes 9 and 17, in accordance with IAS 7.

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

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

Further to the Group's decision in 2006 to record actuarial gains and losses in equity, and in accordance with paragraph 93B of IAS 19, the table below presents the corresponding income and expense recorded in equity for the period.

in € millions	Shareholders' equity		Minority interests	Total equity
First-half 2007				
Translation adjustments	(3)		5	2
Changes in fair value, net of tax	13		0	13
Actuarial gains and losses, net of tax	268		0	268
Other	39	(a)	(7)	32
Income and expense recognized directly in equity	***317***		***(2)***	***315***
Income for the period	465		22	487
Total recognized income and expense for the period	782		20	802
First-half 2008				
Translation adjustments	(538)		(15)	(553)
Changes in fair value, net of tax	61		0	61
Actuarial gains and losses, net of tax	(31)		0	(31)
Other	(10)	(a)	(6)	(16)
Income and expense recognized directly in equity	***(518)***		***(21)***	***(539)***
Income for the period	1,076		32	1,108
Total recognized income and expense for the period	558		11	569

(a) In 2007, following the exit from the consolidated tax agreement in 2006, a deferred tax asset corresponding to the future tax credits that the Group will be eligible for when UK and US employees exercise their stock options, was recognized for the first time. The amount of this deferred tax asset was €48 million at June 30, 2007 and €16 million at December 31, 2007. At the end of first-half 2007, €9 million was taken to income corresponding to tax savings on the share-based payment expense on these employees recognized in the income statement as from the adoption of IFRS, and the balance of €39 million was recognized in equity.

In 2008, this amount was updated based on unrealized capital gains on June 30, 2008 in line with the quoted market price of Saint-Gobain shares on that date. Accordingly, the deferred tax asset was reversed, with an amount of €10 million booked in equity and €5 million booked in the income statement.
The balance of this deferred tax asset amounts to €1 million on June 30, 2008.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Number of shares		*in € millions*								
	Issued	Outstanding (excluding treasury stock)	Capital stock	Additional paid-in capital and legal reserve	Retained earnings and net income for the period	Cumulative translation adjustments	Fair value reserves	Treasury stock	**Share-holders' equity**	**Minority interests**	**Total equity**
At January 1, 2007	**368,419,723**	**361,680,055**	**1,474**	**3,315**	**9,562**	**140**	**(20)**	**(306)**	**14,165**	**322**	**14,487**
Income and expense recognized directly in equity			0	0	307	(3)	13	0	**317**	(2)	**315**
Net income for the period					465				**465**	22	**487**
Total recognized income and expense for the period			***0***	***0***	***772***	***(3)***	***13***	***0***	***782***	***20***	***802***
Issues of capital stock											
- Group Savings Plan	4,981,609	4,981,609	20	274					**294**		**294**
- Stock option plans	338,500	338,500	1	11					**12**		**12**
- Other	84,400	84,400		4					**4**		**4**
Dividends paid (€1.7 per share)					(621)				**(621)**	(52)	**(673)**
Treasury stock purchased									**0**		**0**
Treasury stock retired									**0**		**0**
Treasury stock sold		2,147,261			(11)			91	**80**		**80**
Share-based payments					36				**36**		**36**
At June 30, 2007	**373,824,232**	**369,231,825**	**1,495**	**3,604**	**9,738**	**137**	**(7)**	**(215)**	**14,752**	**290**	**15,042**
Income and expense recognized directly in equity			0	0	(154)	(701)	15	0	**(840)**	(25)	**(865)**
Net income for the period					1,022				**1,022**	34	**1,056**
Total recognized income and expense for the period			***0***	***0***	***868***	***(701)***	***15***	***0***	***182***	***9***	***191***
Issues of capital stock											
- Group Savings Plan									**0**		**0**
- Stock option plans	391,920	391,920	2	13					**15**		**15**
- Other									**0**	2	**2**
Dividends paid (€1.7 per share)									**0**	(11)	**(11)**
Treasury stock purchased		(243,277)						(16)	**(16)**		**(16)**
Treasury stock retired									**0**		**0**
Treasury stock sold		459,715			(3)			25	**22**		**22**
Share-based payments					22				**22**		**22**
At December 31, 2007	**374,216,152**	**369,840,183**	**1,497**	**3,617**	**10,625**	**(564)**	**8**	**(206)**	**14,977**	**290**	**15,267**
Income and expense recognized directly in equity			0	0	(78)	(538)	98	0	**(518)**	(21)	**(539)**
Net income for the period					1,076				**1,076**	32	**1,108**
Total recognized income and expense for the period			***0***	***0***	***998***	***(538)***	***98***	***0***	***558***	***11***	***569***
Issues of capital stock											
- Group Savings Plan	8,272,947	8,272,947	33	320					**353**		**353**
- Stock option plans									**0**		**0**
- Other									**0**	2	**2**
Dividends paid (€2.05 per share)					(767)				**(767)**	(36)	**(803)**
Treasury stock purchased		(1,693,148)						(88)	**(88)**		**(88)**
Treasury stock retired									**0**		**0**
Treasury stock sold		1,570,411			(3)			84	**81**		**81**
Share-based payments					37				**37**		**37**
At June 30, 2008	**382,489,099**	**377,990,393**	**1,530**	**3,937**	**10,890**	**(1,102)**	**106**	**(210)**	**15,151**	**267**	**15,418**

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 interim consolidated financial statements of Compagnie de Saint-Gobain and its subsidiaries ("the Group") have been prepared in accordance with the recognition and measurement principles set out in the International Financial Reporting Standards (IFRS), as described in these notes. These condensed financial statements have been prepared in accordance with IAS 34, which relates specifically to interim financial reporting.

These notes should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2007, prepared in accordance with the IFRS adopted by the European Union. The financial statements have also been prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB).

The accounting policies applied are consistent with those applied to prepare the financial statements for the year ended December 31, 2007.

The standards, interpretations and amendments to the published standards effective in 2008 (see the table below) do not have a material impact on the Group's consolidated financial statements.

The Group has not early adopted new standards, interpretations and amendments to existing standards that are applicable for financial years beginning on or after January 1, 2009 (see table below).

These consolidated financial statements were adopted by the Board of Directors on July 24, 2008. The consolidated financial statements are expressed in millions of euros.

ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the period. Actual amounts may differ from those obtained through the use of these assumptions and estimates.
The main estimates and assumptions described in these notes concern the measurement of employee benefit obligations, provisions for other liabilities and charges, asset impairment tests, deferred taxes, share-based payments and financial instruments. Estimates are revised at the balance sheet date and tests are carried out where appropriate to assess their sensitivity to changes in assumptions.

Summary of new standards, interpretations and amendments to published standards

Standards, interpretations and amendments to existing standards effective in 2008	
IFRIC 11	Group and Treasury Share Transactions
IFRIC 12*	Service Concession Arrangements
IFRIC 14*	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Standards, interpretations and amendments to existing standards early adopted in 2008	
IAS 1R*	Presentation of Financial Statements
IAS 27R*	Consolidated and Separate Financial Statements
IFRS 3R*	Business Combinations (phase 2)
IFRS 8	Operating Segments
Amendment to IAS 23*	Borrowing Costs
Amendment to IAS 32*	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendment to IFRS 2*	Proposed Amendment for Vesting Conditions and Cancellations
IFRIC 13*	Customer Loyalty Programmes

* Revisions to standards not yet adopted by the European Union

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

INTERIM FINANCIAL STATEMENTS

The interim financial statements, which are not intended to provide a measure of performance for the year as a whole, include all period-end accounting entries deemed necessary by Group Management in order to give a true and fair view of the information presented.

Impairment tests for goodwill and other intangible assets are performed systematically during the second half of the year at the same time as the preparation process for the five-year business plan. Consequently, they are only performed for the interim close if there is an indication that the assets concerned are impaired.

The entire expense related to the Group Savings Plan is recognized in the first half of the year since the offer period expires on June 30.

For the countries where the Group's pension and other post-employment benefit obligations are the most significant – i.e., the United States, the United Kingdom, France and the rest of the euro zone – the actuarial valuation is updated at end-June in order to adjust the amount recorded in provisions for pensions and other employee benefits (see Note 8). For the other countries in which the Group operates, actuarial calculations are performed as part of the annual budget procedure and additions to provisions recorded in the first half of the year are based on estimates performed at the end of the previous year.

CONSOLIDATION

Scope of consolidation

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

Significant changes in the Group's scope of consolidation during first-half 2008 are shown in Note 2, and a summary list of the principal consolidated companies at June 30, 2008 is provided in Note 24.

Consolidation methods

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

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

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

Business combinations

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

Potential voting rights and share purchase commitments

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

When calculating its percentage interest in companies that it controls, the Group takes into consideration the impact of cross put and call options contracted with minority interests in relation to those companies' shares. This approach gives rise to the recognition in the financial statements of an investment-related liability (included within "Other liabilities") corresponding to the present value of the estimated exercise price for the put option, with a corresponding reduction in minority interests and increase in goodwill. Any subsequent changes in the fair value of the liability are recorded as a component of goodwill.

Non-current assets held for sale – Discontinued operations

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

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

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

At each balance sheet date, the value of these assets and liabilities is reviewed to determine whether a loss or gain should be recognized due to a change in the fair value less costs to sell.

Intragroup transactions

All intragroup balances and transactions are eliminated in consolidation.

Minority interests

When the equity of a consolidated subsidiary is negative at period-end, the minorities' share of equity is expensed by the Group unless the third parties have a specific obligation to contribute their share of losses. If these companies return to profit, the Group's equity in their earnings is recorded by the majority shareholder up to the amount required to cover losses recorded in prior periods.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group.

Translation of the financial statements of foreign companies

The consolidated financial statements are presented in euros, which is the functional and presentational currency of Compagnie de Saint-Gobain.

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

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

Foreign currency transactions

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

BALANCE SHEET ITEMS

Goodwill

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

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

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

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

Other intangible assets

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

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

Costs incurred to develop software in-house are included in intangible assets and relate primarily to configuration, programming and test-run expenses. Patents and purchased computer software are amortized over their estimated useful lives. Patents are amortized over a period not exceeding 20 years. Purchased software is amortized over a period of 3 to 5 years.

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

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

Property, plant and equipment

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

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

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

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

The Group has opted not to record any residual value for its property, plant and equipment, with the exception of its head office building, which is its only material non-industrial asset. Most of the Group's industrial assets are intended to be used until the end of their useful lives and are not generally expected to be sold.

Property, plant and equipment other than land 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 decline in site conditions and whenever the Group has a legal or constructive obligation to restore a site in accordance with contractually determined conditions. These provisions are reviewed periodically and may be discounted over the expected useful life of the assets concerned. The component is depreciated over the same useful life as that used for mines and quarries.

Investment grants relating to purchases of non-current assets are recorded under "Other payables and accrued expenses" and taken to the income statement over the effective useful lives of the relevant assets.

Leases

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

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

Rental payments under operating leases are expensed as incurred.

Non-current financial assets

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

Impairment of assets

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

For property, plant and equipment and amortizable intangible assets, this impairment test is performed whenever an asset generates operating losses due to either internal or external factors, and when the annual budget or related business plan does not forecast a recovery.

For goodwill and other intangible assets (including retail brands with indefinite useful lives), an impairment test is performed each calendar year based on the related five-year business plan. Goodwill is reviewed systematically and exhaustively at the level of each cash-generating unit (CGU) and where necessary more detailed tests are carried out. The Group's reporting segments are its five business sectors, which may each include several CGUs. A CGU is a reporting sub-segment, generally defined as a core business of the segment in a given geographical area. It typically reflects the manner in which the Group organizes its businesses and analyzes its results for internal reporting purposes (37 main CGUs identified and monitored in 2008).

The method used for these impairment tests is consistent with that employed by the Group for the valuation of companies upon business combinations or acquisitions of equity interests. The carrying amount of the CGUs is compared with the present value of future cash flows excluding interest but including tax. Cash flows for the fifth year of the business plan are rolled forward over the following two years. Normative cash flows (based on the mid-point in the business cycle) are then projected to perpetuity for goodwill using a low annual growth rate (generally 1%, except for emerging markets or businesses with a high growth potential where the rate may be increased to 1.5%). The discount rate used for these cash flows corresponds to the Group's cost of capital (7%). A country risk premium is added where appropriate depending on the geographic area concerned, bringing the discount rate up to 8.5% in some cases.
The recoverable amount calculated using a post-tax discount rate gives the same result as a pre-tax rate applied to pre-tax cash flows.

Different assumptions measuring the sensitivity of the method used are systematically tested using the following parameters:

- +/-1% change in annual average growth rate for cash flows;
- +/-0.5% change in discount rate applied to cash flows.

When the annual impairment tests reveal that an asset's fair value is lower than its carrying amount, an impairment loss is recorded if the fair value less costs to sell is also lower than the carrying amount. The impairment loss recorded reduces the carrying amount of the asset or goodwill concerned to its recoverable amount.

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

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories includes the costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Cost is generally determined using the weighted-average cost method, and in some cases, the First-In First-Out (FIFO) method. Cost of inventories may also include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.
Net realizable value is the selling price in the ordinary course of business, less estimated costs to completion and costs to sell.

Operating receivables and payables

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

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

Net debt

- *Long-term debt*

Long-term debt includes bonds, Medium Term Notes, perpetual bonds, participating securities and all other types of long-term debt including borrowings under finance leases and the fair value of derivatives qualifying as interest rate hedges.
Under IAS 32, the distinction between financial liabilities and equity is based on the substance of the contracts concerned rather than their legal form. As a result, participating securities have been classified as debt.
At the balance sheet date, bonds and private placement notes are measured at amortized cost, and premiums and issuance costs are amortized using the effective interest rate method.

- *Short-term debt*

Short-term debt includes the current portion of the long-term debt described above, as well as short-term financing programs such as Commercial Paper or *Billets de Trésorerie* (French Commercial Paper), bank overdrafts and other short-term bank borrowings, as well as the fair value of debt derivatives not qualifying for hedge accounting.

- *Cash and cash equivalents*

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

Further details about long- and short-term debt are provided in Note 13.

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

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

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

Changes in the fair value both of derivatives that are designated and qualify as fair value hedges and derivatives that do not qualify for hedge accounting are taken to the income statement. However, the effective portion of the gain or loss arising from changes in fair value of derivatives that qualify as cash flow hedges is recognized directly in equity, whereas the ineffective portion is recognized in the income statement.

- *Fair value hedges*

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

- *Cash flow hedges*

Cash flow hedge accounting is applied by the Group mainly to derivatives used to fix the cost of future investments in financial assets or property, plant and equipment, as well as future purchases of gas and fuel oil (fixed-for-variable price swaps). These instruments are matched to highly probable purchases. By using cash flow hedges, the Group can defer the impact on the income statement of the effective portion of changes in the fair value of these instruments by recording them in a special hedging reserve in equity. The reserve is reclassified into the income statement at the date the hedged transaction occurs, at which time the hedged item is also recognized in the income statement. In the same way as for fair value hedges, cash flow hedging limits the Group's exposure to changes in the fair value of these price swaps to the ineffective portion of the hedge.

- *Derivatives that do not qualify for hedge accounting*

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

Employee benefits – defined benefit plans

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

In France, employees receive indemnities on retirement based on past service and other terms in accordance with the respective collective bargaining agreements.

The Group's obligations with respect to pensions and retirement bonuses are calculated by independent actuaries at the balance sheet date, using a method taking into account projected end-of-career salaries and the specific economic conditions applicable in each country. These obligations may be financed by pension funds, with a provision recognized in the balance sheet for the outstanding liability.

The effect of any modifications to the plans (past service cost) is amortized on a straight-line basis over the residual vesting period, or immediately if the benefits are already vested.

Actuarial gains or losses are the result of period-on-period changes in the actuarial assumptions used to measure the Group's obligations and plan assets, as well as experience adjustments (differences between the actuarial assumptions and what has actually occurred). They are recognized in equity immediately.

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

Actuarial provisions are also established for a certain number of additional benefits, such as jubilee or other long-service benefits and deferred compensation or termination benefits in various countries. Any actuarial gains and losses relating to these benefits are recognized immediately.

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

Employee benefits – defined contribution plans

Contributions to defined contribution plans are expensed as incurred.

Employee benefits – share-based payment

The Saint-Gobain Group has elected to apply IFRS 2 from January 1, 2004 to all its stock option plans since the plan launched on November 20, 2002.

Costs related to stock option plans are calculated using the Black & Scholes option pricing model, based on the following parameters:

- Volatility assumptions, which take into account the historical volatility of the share price over a rolling 10-year period, as well as implied volatility from traded share options. Periods during which the share price was extraordinarily volatile have been disregarded.
- Assumptions relating to the average holding period of options, based on actual behavior of option holders.
- Expected dividends, as assessed on the basis of historical information dating back to 1988.
- The risk-free interest rate, which is the yield on long-term government bonds.

The cost calculated using this method is recognized in the income statement over the vesting period of the options, ranging between 3 and 4 years depending on the plan concerned.

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

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

- The exercise price is that determined by the Board of Directors and corresponds to the average of the opening share prices quoted over the 20 trading days preceding the date of grant, less a 20% discount.
- The grant date of the options is the date on which the plan is announced to employees. For Saint-Gobain, this is the date on which the terms and conditions of the plan are announced on the Group's intranet.

- The interest rate applicable to employee share awards and used to determine the borrowing cost relating to the shares during the holding period is the rate that would be applied by a bank to an individual with an average risk profile for a general purpose five- to ten-year consumer loan repayable at maturity.

In 2008 and 2007, the Saint-Gobain Group implemented a leveraged Group Savings Plan. This plan offers a 15% discount and allows participating employees to receive, at maturity and for each share subscribed, a capital gain equivalent to the gain on ten shares over the period. The expense recorded for this plan in accordance with IFRS 2 is calculated in the same way as for the standard plan, but takes into account the advantage accruing to employees who benefit from the same market conditions as the Group.

The expense resulting from these two plans is recognized in full at the end of the subscription period during the first half of the year.

Equity

- *Additional paid-in capital and legal reserve*

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

- *Retained earnings and net income for the period*

Retained earnings and net income for the period correspond to the Group's share in the accumulated consolidated income of all consolidated companies, net of dividends paid.

- *Treasury stock*

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

Other current and non-current liabilities

- *Provisions for other liabilities and charges*

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

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

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

- *Investment-related liabilities*

Investment-related liabilities correspond to commitments to purchase shares in non-consolidated companies from minority interests, as well as liabilities relating to the acquisition of shares in Group companies, including additional purchase consideration. They are reviewed on a periodic basis. The impact of the passage of time is recognized in financial income and expense.

INCOME STATEMENT ITEMS

Revenue recognition

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

Construction contracts

Group companies account for construction projects using the percentage of completion method as follows:

- When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the balance sheet date.
- When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.
- When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Construction contracts do not represent a material portion of the Group's sales.

Operating income

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

Other business income and expense

Other business income and expense mainly includes movements in provisions for claims and litigation and environmental provisions, gains and losses relating to the sale of assets, impairment losses, and restructuring costs incurred upon the disposal or discontinuation of operations as well as charges related to arrangements for personnel affected by workforce reduction measures.

Business income

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

Financial income and expense

Financial income and expense includes borrowing and other financing costs, income from cash and cash equivalents, financial expense relating to pensions and other post-employment benefits, net of return on plan assets, and other financial income and expense.

Income taxes

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

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

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

No provision is made in respect of tax payable on earnings of subsidiaries that are not intended to be distributed.

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

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

Earnings per share

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

Diluted earnings per share are calculated based on adjusted net income (see Note 19) and including in the average number of shares in issue the conversion of all outstanding dilutive instruments, such as stock options and convertible bonds. The Group applies the treasury stock method for the purpose of this calculation, under which it is assumed that the proceeds from the exercise of dilutive instruments are assigned on a priority basis to the purchase of common shares in the market.

Recurring net income

Recurring net income corresponds to net income after tax and minority interests less capital gains or losses, impairment of assets, material non-recurring provisions and the related tax and minority interests.
The method used for calculating recurring net income is explained in Note 18.

Return on capital employed

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

Cash flows from operations

Cash flows from operations corresponds to net cash generated from operating activities before the impact of changes in working capital requirements, changes in current taxes and movements in provisions for other liabilities and charges and deferred taxes. The provision for the non-competition claim has been readjusted for the purposes of calculating cash flows from operations.
The calculation of cash flows from operations is explained in Note 18.

Cash flows from operations excluding capital gains tax

Cash flows from operations excluding capital gains tax corresponds to cash flows after tax on capital gains or losses on disposals.
The method used to calculate this item is explained in Note 18.

Segment information

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

NOTE 2 – CHANGES IN GROUP STRUCTURE

Changes in Group structure were as follows:

First-half 2008	France	Outside France	Total
FULLY CONSOLIDATED COMPANIES			
At January 1	210	1,206	1,416
Newly consolidated companies	30	103	133
Merged companies	(7)	(98)	(105)
Deconsolidated companies	(3)	(2)	(5)
Change in consolidation method		(1)	(1)
At June 30	**230**	**1,208**	**1,438**
PROPORTIONATELY CONSOLIDATED COMPANIES			
At January 1	2	11	13
Newly consolidated companies		4	4
Deconsolidated companies			0
Change in consolidation method		3	3
At June 30	**2**	**18**	**20**
COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD			
At January 1	6	73	79
Newly consolidated companies		2	2
Merged companies		(4)	(4)
Deconsolidated companies		(5)	(5)
Change in consolidation method		(2)	(2)
At June 30	**6**	**64**	**70**
Total at June 30	**238**	**1,290**	**1,528**

Significant changes in Group structure

First-half 2008

On March 13, 2008 Saint-Gobain Group acquired the Maxit Group from HeidelbergCement for €2,080 million, including net debt amounting to €555 million.
Maxit has been fully consolidated since March 1, 2008. Consolidated sales for the first half of the year came in at €437 million.

At the end of first-half 2008, the Group had also acquired the building materials division of Danish company Dalhoff Larsen & Hornemen A/S (DLH) as well as Estonian building distribution company Famar Desi.

2007

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

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

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

Following the agreement entered into with the investment funds Sagard and Cognetas, the Saint-Gobain Desjonquères Group, which was classified as held for sale at December 31, 2006, was sold on March 29, 2007. The capital gain on the sale of the entire capital stock of Saint-Gobain Desjonquères Group was recorded under other business income (see Note 15). Consolidated sales for first-quarter 2007 amounted to €149 million.

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

On November 1, 2007, the Group's Reinforcements and Composites division (excluding the US fiber reinforcements business) was sold to Owens Corning. The related assets and liabilities were included on the held for sale lines in the consolidated balance sheet at June 30, 2007 and until October 31, 2007, the effective date of the transaction. External ten-month sales totaled €558 million in 2007.

Assets and liabilities held for sale

At June 30, 2007, the assets and liabilities relating to the Reinforcements and Composites business were included on the held for sale lines of the consolidated balance sheet. The sale of the Reinforcements and Composites business on November 1, 2007 had no further impact on the income statement in light of the one-off provision booked at June 30, 2007. At June 30, 2008 as at December 31, 2007, only the US fiber reinforcements business continued to be classified as held for sale.

Changes in assets and liabilities held for sale over the year were as follows:

in € millions	**Assets**	**Liabilities**	**Provisions**
At December 31, 2007	**165**	**41**	**60**
Reclassification to held for sale			
Additions to provisions			
Other movements and reclassifications	(61)	2	(60)
At June 30, 2008	**104**	**43**	**0**

At December 31, 2007, the Group booked a provision of €60 million in order to bring assets and liabilities held for sale down to their fair value.

Assets and liabilities held for sale break down as follows:

in € millions	**June 30, 2008**	**December 31, 2007**
Intangible assets and goodwill	3	3
Property, plant and equipment, net	47	89
Other non-current assets	9	2
Inventories, trade and other accounts receivable	45	71
Cash and cash equivalents		
Total assets held for sale	**104**	**165**
Provisions for pensions and other employee benefits	2	3
Deferred tax liabilities and other non-current liabilities	0	11
Trade and other accounts payable and accrued expenses, and other current liabilities	34	17
Long- and short-term debt and bank overdrafts	7	10
Total liabilities held for sale	**43**	**41**

NOTE 3 – GOODWILL

in € millions	**First-half 2008**
At January 1	
Gross value	9,440
Accumulated impairment	(200)
Net	**9,240**
Movements during the period	
Changes in Group structure	1,913
Impairment	(6)
Translation adjustments	(369)
Reclassification to assets held for sale	0
Total	**1,538**
At June 30	
Gross value	10,975
Accumulated impairment	(197)
Net	**10,778**

Movements in goodwill during first-half 2008 mainly reflect changes in Group structure resulting from the Maxit group acquisition (acquisition cost: €2,080 million including net debt; goodwill: €1,530 million before purchase price allocation forecast for second-half 2008), and from various acquisitions in the Building Distribution sector, notably in France and Scandinavia.

NOTE 4 – OTHER INTANGIBLE ASSETS

in € millions	Patents	Non-amortizable brands	Software	Development costs	Other	Total
At January 1, 2008						
Gross value	106	2,763	631	47	279	3,826
Accumulated amortization and impairment	(90)		(441)	(22)	(148)	(701)
Net	**16**	**2,763**	**190**	**25**	**131**	**3,125**
Movements during the period						
Changes in Group structure and reclassifications	(1)		16	1	(8)	8
Acquisitions			17	1	15	33
Disposals					(1)	(1)
Translation adjustments	(1)	(71)	(3)		(5)	(80)
Amortization and impairment	(1)		(33)	(4)	(4)	(42)
Reclassification to assets held for sale						0
Total	**(3)**	**(71)**	**(3)**	**(2)**	**(3)**	**(82)**
At June 30, 2008						
Gross value	106	2,692	652	48	282	3,780
Accumulated amortization and impairment	(93)		(465)	(25)	(154)	(737)
Net	**13**	**2,692**	**187**	**23**	**128**	**3,043**

The “Other” column includes amortizable manufacturing brands totaling €42 million at June 30, 2008 (€48 million at December 31, 2007).

In April 2008, the Group’s European companies surrendered their greenhouse gas emissions for the 2005-2007 allocation program. The aggregate allowances granted to the Group’s European companies in 2005-2007 exceeded the amount of actual greenhouse gases emitted by the Group as a whole. At June 30, 2008, the volumes of aggregate allowances granted to the Group’s European companies in 2008-2012 have not yet been attributed for all sites. According to the latest estimations, they represent approximately 6.9 million tons of CO_2 per year (estimated entry unit value of €20.73).

For 2008, the allowances granted correspond to the level of emissions of greenhouse gases forecast for the year and thus no provision has been recorded in the consolidated financial statements.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

in € millions	Land and quarries	Buildings	Machinery and equipment	Assets under construction	Total
At January 1, 2008					
Gross value	1,971	6,944	17,643	1,704	28,262
Accumulated depreciation and impairment	(278)	(3,434)	(11,779)	(18)	(15,509)
Net	**1,693**	**3,510**	**5,864**	**1,686**	**12,753**
Movements during the period					
Changes in Group structure and reclassifications	50	195	213	47	505
Acquisitions	32	42	142	665	881
Disposals	(8)	(8)	(15)	(2)	(33)
Translation adjustments	(37)	(48)	(112)	(32)	(229)
Depreciation and impairment	(16)	(137)	(567)	(10)	(730)
Reclassification to assets held for sale					0
Transfers		99	392	(491)	0
Total	**21**	**143**	**53**	**177**	**394**
At June 30, 2008					
Gross value	2,018	7,324	18,446	1,886	29,674
Accumulated depreciation and impairment	(304)	(3,671)	(12,529)	(23)	(16,527)
Net	**1,714**	**3,653**	**5,917**	**1,863**	**13,147**

In the first half of 2008, acquisitions of property, plant and equipment included assets acquired under finance leases for an amount of €9 million (€19 million in 2007). These finance leases are not included in the cash flow statement in accordance with IAS 7. At June 30, 2008, total property, plant and equipment acquired under finance leases amounted to €175 million, compared to €190 million at December 31, 2007.

NOTE 6 – INVENTORIES

in € millions	**June 30, 2008**	**December 31, 2007**
Gross value		
Raw materials	1,468	1,335
Work in progress	317	283
Finished goods	5,101	4,639
Gross inventories	**6,886**	**6,257**
Provisions for impairment in value		
Raw materials	(95)	(95)
Work in progress	(9)	(9)
Finished goods	(315)	(320)
Provisions for impairment in value	**(419)**	**(424)**
Net	**6,467**	**5,833**

In the first half of 2008, cost of sales came to €16,504 million, compared with €16,090 million in first-half 2007.

Impairment losses on inventories recorded in the first-half 2008 income statement amounted to €77 million (€75 million in first-half 2007). Impairment reversals recorded due to increases in the net realizable value of inventories were deducted from expenses for the period in an amount of €56 million, versus €43 million in first-half 2007.

NOTE 7 – TRADE AND OTHER ACCOUNTS RECEIVABLE

in € millions	June 30, 2008	December 31, 2007
Gross value	7,965	6,595
Provisions for impairment in value	(412)	(384)
Trade accounts receivable	**7,553**	**6,211**
Advances to suppliers	516	635
Prepaid payroll taxes	36	23
Other prepaid and recoverable taxes (other than income tax)	379	327
Accrued income	13	12
Other	653	489
Provisions for impairment in value	(8)	(5)
Other receivables	**1,589**	**1,481**

Changes in impairment provisions for trade and other accounts receivable reflect €46 million in additions during first-half 2008 (€76 million in 2007) and €31 million in reversals (€74 million in 2007) resulting from recoveries as well as write-offs. Changes in this item also include €21 million (€44 million in 2007) in losses taken on irrecoverable receivables.

Trade and other accounts receivable mainly have short-term maturities and are valued at their carrying amount, which approximates fair value.

NOTE 8 – PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

in € millions	**June 30, 2008**	**December 31, 2007**
Pension obligations	1,093	1,058
Retirement bonus obligations	227	233
Post-employment healthcare benefit obligations	319	341
Total provisions for pensions and other post-employment benefit obligations	1,639	1,632
Healthcare benefits	43	44
Long-term incapacity benefits	35	38
Other long-term benefits	98	93
Provisions for pensions and other employee benefits	**1,815**	**1,807**

Description of defined benefit plans

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

In France, in addition to retirement bonuses, there are three defined benefit schemes based on projected end-of-career salaries. These plans were closed to new employees by the companies concerned between 1969 and 1997.

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

In the Netherlands, ceilings have been introduced in relation to supplementary pension plans, in excess of which they are converted into defined contribution plans.

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

In the United States and Canada, the Group's defined benefit schemes are based on projected end-of-career salaries. Since January 1, 2001, new employees have been offered a defined contribution scheme.

Provisions for other long-term benefits amounted to €176 million at June 30, 2008, compared with €175 million at December 31, 2007. This item covers all other benefits granted to employees, notably long-service awards in France, jubilee benefits in Germany and employee benefits in the United States. The amounts recorded are generally calculated on an actuarial basis.

Measurement of pension and other post-employment benefits

Pensions and other post-employment benefits are determined by actuarial valuations using a method based on projected end-of-career salaries (the projected unit credit method).
The Group's obligations for other employee benefits including long-term incapacity benefits and other long-term benefits are also calculated on an actuarial basis and recognized in the same way as pension obligations.

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. Group contributions to these plans in 2007 totaled €157 million and estimations for first half 2008 came in at €70 million.

Actuarial assumptions used for valuing pension obligations and plan assets

Assumptions related to mortality, employee turnover and future salary increases take into account the economic conditions specific to each country and company. Interest rates used in 2007 to determine the present value of future obligations were generally between 4.75% and 6%, depending on the country concerned.

The rates used at December 31, 2007 for valuing pension obligations and plan assets and for measuring the related expense for the first half of 2008 in the countries in which the Group's obligations are the most significant were as follows:

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

In light of the increase in interest rates, the discount rates used to calculate pension obligations were revised upwards at June 30, 2008 to 6% for the euro zone, 6.3% for the United Kingdom, and 6.4% for the United States. A review was therefore conducted of the pension obligations relating to the Group's major operating countries using these new discount rates. At the same time, the value of the main plan assets was reassessed. This review concerned the euro zone, the United States and the United Kingdom, which represent 95% of the Group's total obligations. This revaluation resulted in a €437 million decrease in pension obligations. The inflation rate was not revised at June 30, 2008.

Expected rates of return are estimated by country and pension plan, taking into account the different asset categories making up the plan assets and the outlook for the various markets. The difficult market conditions during first-half 2008 in the wake of the financial crisis seriously affected returns on plan assets, which decreased by €279 million. Following a review at the balance sheet date, the estimated return on plan assets was reduced by €491 million.

Actuarial gains and losses and past service cost

In 2006 the Group elected to apply the option available under IAS 19 and record actuarial gains and losses in equity (see Note 1). Outstanding deferred actuarial gains and losses now relate only to the effects of plan adjustments (past service cost).

Prepaid pension costs

A prepaid pension cost is recorded under "Other non-current assets" whenever the assets of a pension plan exceed the related projected benefit obligation, provided the asset represents future economic benefits for the Group. When the value of plan assets is less than the projected obligation, the asset recognized is reduced by the amount of the asset ceiling.

Prepaid pension costs and provisions for pensions and other post-employment benefits classified as assets and liabilities held for sale

In accordance with IFRS 5, certain prepaid pension costs and provisions for pensions and other post-employment benefits were classified as assets and liabilities held for sale at June 30, 2008, for an amount of €0 million and €2 million, respectively (see Note 2).

Movements in provisions for pensions and other post-employment benefit obligations (excluding other employee benefits)

The Group's charge for pensions and other post-employment benefits (excluding other employee benefits) is as follows:

in € millions	**Provisions for pensions**
At December 31, 2007	
Total provisions for pensions and other post-employment benefit obligations	**1,632**
Movements during the period	
Charge for the period	56
Interest cost - net	11
Actuarial gains and losses for the period	58
Contributions and benefits paid	(113)
Changes in Group structure	31
Other (reclassifications and translation adjustments)	(36)
Total	**7**
At June 30, 2008	
Total provisions for pensions and other post-employment benefit obligations	**1,639**

The overall impact of actuarial gains and losses on equity is a pre-tax decrease of €54 million (€31 million net of taxes). This results in an increase of €4 million in prepaid pension costs and a €58 million increase of provision in liabilities.

NOTE 9 – CURRENT AND DEFERRED TAXES

Until December 31, 2006, Compagnie de Saint-Gobain was assessed for income tax purposes on its consolidated taxable income. As a result of this agreement the Group's share of the aggregate amount of income taxes paid by Group companies included in the worldwide tax group was taken into account when determining consolidated taxable income.

As from January 1, 2007, tax consolidation only applies at a local level.

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

in € millions	**First-half 2008**	**First-half 2007**
Net income	1,108	487
Less:		
Share in net income of associates	7	8
Income taxes	(444)	(491)
Net pre-tax income of companies included in the tax group	**1,545**	**970**

Income tax expense breaks down as follows:

in € millions	**First-half 2008**	**First-half 2007**
Current taxes	**(489)**	**(447)**
France	(106)	(84)
Outside France	(383)	(363)
Deferred taxes	**45**	**(44)**
France	(19)	23
Outside France	64	(67)
Total income tax expense	**(444)**	**(491)**

Taxes paid in the first half of 2008 amounted to €315 million, compared with €345 million in first-half 2007.

Income tax expense for first-half 2008 represents 28.7% of the net pre-tax income of consolidated companies, compared with 50.6% in the equivalent prior-year period.

The effective tax rates can be analyzed as follows:

in %	First-half 2008	First-half 2007
Tax rate in France	34.4	34.4
Impact of tax rates outside France	-4.6	-5.1
Provision for non-competition claim not deductible for tax purposes		20.3
Capital gains and impairments	0.2	-4.0
Provision for deferred tax assets	-1.0	0.5
Tax loss carryforwards		-0.3
Other deferred and miscellanious taxes	-0.3	4.8
Effective tax rate	**28.7**	**50.6**

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

in € millions	Net deferred tax liabilities
At December 31, 2007	**949**
Deferred tax expense/(benefit) for the period	(45)
Changes in deferred taxes relating to actuarial gains and losses in accordance with IAS 19 (Note 8)	23
Translation adjustments	(18)
Effect of changes in Group structure and other	28
At June 30, 2008	**937**

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

in € millions	June 30, 2008	December 31, 2007
Deferred tax assets	332	328
Deferred tax liabilities	(1,269)	(1,277)
Net deferred tax liabilities	**(937)**	**(949)**
Pensions	456	465
Brands	(833)	(844)
Depreciation, amortization, excess tax depreciation and provisions recorded for tax purposes	(952)	(1,029)
Tax loss carryforwards	107	97
Other	285	362
Total	**(937)**	**(949)**

Deferred taxes are offset at the level of tax entity, i.e., by tax consolidation group, where applicable (France, the United Kingdom, Spain, Germany and the United States).
The Group recognized €332 million in deferred tax assets, primarily relating to the United States (€204 million). €1,269 million was recognized in deferred tax liabilities relating to various countries including France (€505 million) and the United Kingdom (€348 million). Other countries accounted for significantly lower amounts. Deferred tax assets whose recovery the Group did not deem probable at December 31, 2007 were €198 million and €174 million at June 30, 2008.

NOTE 10 – OTHER CURRENT AND NON-CURRENT LIABILITIES AND PROVISIONS

in € millions	Provision for claims and litigation	Provision for environmental risks	Provision for restructuring costs	Provision for personnel costs	Provision for customer warranties	Provision for other contingencies	Investment-related liabilities	**Total**
At December 31, 2007								
Current portion	784	31	84	31	80	78	19	1,107
Non-current portion	244	115	76	41	92	284	71	923
Total	**1,028**	**146**	**160**	**72**	**172**	**362**	**90**	**2,030**
Movements during the period								
Additions	38	4	21	12	32	35		142
Reversals	(1)		(7)	(3)	(8)	(35)		(54)
Utilizations	(168)	(5)	(40)	(8)	(25)	(17)		(263)
Changes in Group structure		5	1		11	13	(3)	27
Other (reclassifications and translation adjustments)	(16)	10		3	(5)	(25)	93	60
Total	**(147)**	**14**	**(25)**	**4**	**5**	**(29)**	**90**	**(88)**
At June 30, 2008								
Current portion	643	28	63	32	78	80	100	1,024
Non-current portion	238	132	72	44	99	253	80	918
Total	**881**	**160**	**135**	**76**	**177**	**333**	**180**	**1,942**

Provision for claims and litigation
The provision for claims and litigation covers the costs of the non-competition claim involving the Flat Glass business and asbestos-related lawsuits filed against the Group. These provisions are described in further detail in Note 22.

Provision for environmental risks
This provision covers costs relating to environmental protection measures, as well as site restorations and clean-ups.

Provision for restructuring costs
The provision for restructuring costs came to €135 million at June 30, 2008 (including net additions of €14 million during the period), compared with €160 million at December 31, 2007. The provision primarily concerns the United Kingdom (€36 million), Germany (€28 million), the Benelux countries (€25 million), and the United States (€13 million).

Provision for personnel costs
This provision primarily covers indemnities due to personnel that are unrelated to the Group's reorganization operations.

Provision for customer warranties
This provision covers the Group’s commitments in relation to warranties granted to customers.

Provision for other contingencies

At June 30, 2008, provisions for other contingencies amounted to €333 million and related mainly to France (€123 million), Germany (€48 million), North America (€44 million), Latin America (€38 million), and Italy (€26 million).

Investment-related liabilities

At June 30, 2008 and December 31, 2007, changes in investment-related liabilities mainly reflect additional purchase consideration and deferred payments on acquisitions.

NOTE 11 – TRADE AND OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

in € millions	**June 30, 2008**	**December 31, 2007**
Trade accounts payable	**6,146**	**5,752**
Customer deposits	600	647
Payable to suppliers of non-current assets	280	478
Grants received	60	54
Accrued personnel expenses	1,006	1,023
Accrued taxes other than on income	603	410
Other	901	813
Total trade and other payables and accrued expenses	**3,450**	**3,425**

Trade accounts payable mainly have short-term maturities and are valued at their carrying amount, which approximates fair value.

NOTE 12 – RISK FACTORS

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

Liquidity risk on financing

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

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

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

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

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

A breakdown of long and short-term debt is provided by type and maturity in Note 13. Details of amounts, currencies, and early repayment terms and conditions of the Group's financing programs and confirmed credit lines are also discussed in Note 13.

Liquidity risk on investments

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

Interest rate risk

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

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

Based on a sensitivity analysis of the Group's total long-term net debt after hedging, an increase of 50 basis points in interest rates at the balance sheet date would have increased equity by €20 million and reduced income by €12 million.

Foreign exchange risk

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

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

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

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

The Group monitors it exposure to foreign exchange risk using a monthly reporting which captures the foreign exchange positions taken by the Group’s subsidiaries. 92% of the Group’s foreign exchange position was hedged.

At June 30, 2008, the net foreign exchange exposure of subsidiaries whose functional currency is not the euro was as follows:

in millions of € equivalents	**Long**	**Short**
USD	16	21
EUR	21	23
Other currencies	3	2
Total	**40**	**46**

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

in € millions	**Net gains or losses**
USD	(0.5)
EUR	(0.2)

At June 30, 2008, the impact of a 10% fall in these currencies would have resulted in movements in the same amounts as those set out in the table above but in the opposite direction (assuming that all other variables remained unchanged).

Energy risk

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

These hedges (excluding fixed-price purchases from suppliers directly negotiated by the Purchasing Department) are arranged by the Group Treasury and Financing Department in accordance with instructions received from the steering committee. The hedges are contracted for a maximum term of 18 months.

The steering committee does not manage hedges for other energy sources or geographical areas not mentioned above because:
- the volumes involved are not significant; or
- there are no international price indexes used by local players in the geographical areas concerned, and transactions are therefore based on either administered prices or strictly national indexes.
In both of these cases, local purchasing units manage energy risk primarily through fixed-price purchases.

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

Credit risk

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

Note 14 provides details of the Group's interest rate and energy hedges, as well as the interest rates applicable for the main items of gross debt. It also provides a breakdown of net debt by currency and interest rate (fixed or variable), as well as the interest rate repricing schedule.

NOTE 13 – NET DEBT

Long- and short-term debt

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

in € millions	June 30, 2008	December 31, 2007
Bond issues and Medium Term Notes	7,988	8,048
Perpetual bonds and participating securities	203	203
Acquisition-related bank borrowings	2,125	
Other long term debts including finance leases	312	358
Debt recognized at fair value under the fair value option	138	146
Fair value of interest rate hedges	(40)	(8)
Total long term debts (excluding current portion)	**10,726**	**8,747**
o/w long-term portion of accrued interest	2	2
Current portion of long term debt	**687**	**971**
Short term financing programs (US CP, Euro CP, *Billets de trésorerie*)	2,149	
Bank overdrafts and other short-term bank borrowings	944	922
Securitization	550	591
Fair value of derivatives relating to borrowings not qualified as hedges	(13)	(9)
Short term debt and bank overdrafts	**3,630**	**1,504**
TOTAL GROSS DEBT	**15,043**	**11,222**
Cash and cash equivalents	(1,722)	(1,294)
TOTAL NET DEBT INCLUDING ACCRUED INTEREST	**13,321**	**9,928**

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounted to €11 billion at June 30, 2008, for a carrying amount of €10.9 billion.

Long-term debt repayment schedule

The repayment schedule for gross long-term debt at June 30, 2008 breaks down as follows:

in € millions	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues and Medium Term Notes	EUR	365	4,763	2,429	7,557
	GBP			754	754
	USD				0
	Other		42		42
Perpetual bonds and participating securities	EUR			203	203
Acquisition-related bank borrowings	EUR		2,125		2,125
Other long term debts including finance leases	All currencies	156	222	88	466
Debt recognized at fair value under the fair value option	EUR		138		138
Fair value of interest rate hedges	EUR		(40)		(40)
TOTAL EXCLUDING ACCRUED INTEREST		**521**	**7,250**	**3,474**	**11,245**

At June 30, 2008 future interest payments on gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain break down as follows:

in € millions	Within 1 year	1 to 5 years	Beyond 5 years	Total
Future interest payments due on gross long term debt	513	1,057	810	2,380
TOTAL EXCLUDING ACCRUED INTEREST	**513**	**1,057**	**810**	**2,380**

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

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

Perpetual bonds

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

To date, 18,496 perpetual bonds have been bought back and cancelled. 6,504 perpetual bonds are outstanding, representing a total face value of €33 million.

Participating securities

In the 1980s, Compagnie de Saint-Gobain issued 1,288,299 non-voting participating securities indexed to average bond rates (TMO) and 194,633 non-voting participating securities indexed to Euribor (minimum). These securities are not redeemable and the interest paid on them is included in financial expense.

Some of these securities have since been repurchased in the market. At June 30, 2007, there were 606,883 TMO-indexed securities and 77,516 Euribor-indexed securities outstanding, representing an aggregate face value of €170 million.

The interest paid on the 606,883 TMO-indexed securities comprises consists of a fixed portion and a variable portion based on the Group's earnings, subject to a cap of 125% of average bond yields. Interest paid on the 77,516 securities indexed to a minimum of Euribor comprises (i) a fixed portion of 7.5% per year applicable to 60% of the security, and (ii) a variable portion applicable to the remaining 40% of the security, which is linked to consolidated net income of the previous year, subject to the cap specified in the issue agreement.

Net interest paid on participating securities for the first half of 2008 came to €5.4 million, compared with €5.3 million in first-half 2007.

Financing programs

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

At June 30, 2008, these programs were as follows:

Programs (in millions of currency)	Currency	Drawdown period	Authorized ceiling at June 30, 2008	Drawdown at June 30, 2008	Drawdown at December 31, 2007
Medium Term Notes	EUR	1 to 30 years	10,000	3,299	3,356
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	2,149	0

(*) equivalent to €634 million based on the exchange rate at June 30, 2008.

The authorized ceiling on the Medium Term Notes programs was raised to €10 billion on December 14, 2007.

In accordance with market practices, *Billets de Trésorerie*, Euro Commercial Paper and US Commercial Paper issues are generally issued for a period of one to six months. In view of their frequent renewal, the Group treats them as variable-rate debt.

Compagnie de Saint-Gobain's US Commercial Paper, Euro Commercial Paper and *Billets de Trésorerie* programs are backed by confirmed syndicated lines of credit totaling €2,000 million expiring in November 2011, as well as seven bilateral credit lines totaling €680 million at June 30, 2008.

The main covenants that would, if violated, result in these facilities becoming immediately repayable or being withdrawn, are as follows:

- failure to comply with either of the following ratios (assessed annually):
    - ratio of net debt to operating income excluding depreciation and amortization of property, plant and equipment and intangible assets below 3.75;
    - interest cover ratio (pre-tax profit over net interest expense) above 3;

  This covenant concerns three bilateral lines representing €290 million.
- default on bank borrowings in excess of certain ceilings.

No drawdowns were made against any of these facilities during the period.

The Saint-Gobain Group obtained a further €9 billion syndicated line of credit in 2005 to finance the acquisition of the BPB group, as well as to refinance certain debts of the BPB and Saint-Gobain groups. This line is composed of three tranches: a three-year loan, a five-year loan, and a five-year revolving credit facility. At June 30, 2008, the three- and five-year loans had been repaid in full; the portion of the revolving facility granted for general corporate purposes maturing in August 2010 has not been drawn down and an amount of €500 million therefore remains available.

The main early-repayment scenarios for this €9 billion syndicated credit facility are as follows:

- failure to comply with either of the following ratios (assessed every six months):
  - ratio of net debt to operating income excluding depreciation and amortization of property, plant and equipment and intangible assets below 3.75;
  - interest cover ratio (operating income excluding amortization of intangible assets over net interest expense) of above 3.5;
- default on bank borrowings in excess of €40 million.

Saint-Gobain complied with all of these covenants at June 30, 2008.

The Group also took out a €2.125 billion syndicated credit facility in October 2007, in order to finance its acquisition of the Maxit group. The facility includes a tranche that may be renewed for a further year. The totality of the credit facility was utilized at June 30, 2008.

The aggregate commitment fees for all of these facilities amounted to €1.3 million for first half 2008, compared with €1.2 million for the same period 2007.

Bank overdrafts and other short-term bank borrowings

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

Securitization of receivables

The Group has set up two securitization programs for commercial receivables through its US subsidiary, Saint-Gobain Receivables Corporation, and through its subsidiary in the UK, Jewson Ltd. The programs do not transfer the risk on the receivables to the financial institution.

The US program concerned an amount of €290 million at June 30, 2008 (€373 million at December 31, 2007). The difference between the face value of the sold receivables and the proceeds received is treated as a financial expense and amounted to €6.5 million in the first half of 2008 (first-half 2007: €11.2 million).

The UK program concerned €260 million at June 30, 2008 (€218 million at December 31, 2007). The total amount recorded as a financial expense in relation to this program came to €6.7 million in the first half of 2008 (first-half 2007: €6.3 million).

Collateral

At June 30, 2008, €48 million of Group debt was secured by various non-current assets (real estate and securities).

NOTE 14 – FINANCIAL INSTRUMENTS

Derivatives

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

in €millions	Fair value at June 30, 2008			Fair value	Nominal value broken down by maturity at June 30, 2008			
	Derivatives recorded in assets	Derivatives recorded in liabilities	Total	at Dec 31, 2007	Within 1 year	1 to 5 years	Beyond 5 years	Total
Fair value hedges								
Interest rate swaps			0	(1)				**0**
Cash flow hedges								
Commodity swaps	66		66	2	164	18		**182**
Forward currency contracts			0		16			**16**
Currency options			0					**0**
Interest rate swaps	40		40	9		1250		**1,250**
Derivatives not qualifying as hedges								
Interest rate swaps		(17)	(17)	(9)		155		**155**
Cross-currency swaps	16		16	13	49			**49**
Currency swaps	17	(3)	14	5	2,269	4		**2,273**
Commodity swaps			0		6			**6**
Forward currency contracts	2	(1)	1	6	98	3		**101**
Currency options purchased			0		1			**1**
Currency options sold			0		1			**1**
Interest rate conversion options			0					**0**
Commodity options purchased			0					**0**
Commodity options sold			0					**0**
TOTAL	**141**	**(21)**	**120**	**25**	**2,604**	**1,430**	**0**	**4,034**
o/w derivatives linked to net debt			53	17				**0**

The fair value of financial instruments is generally determined by reference to the market price resulting from transactions on a national stock market or over-the-counter financial market.
When no listed market price is available, the fair value is based on estimates performed by financial discounting or other techniques.

- Interest rate swaps

The interest rate swaps used by the Group allow a portion of debt contracted in the bond markets at fixed (variable) rates to be converted to variable (fixed) rates.

- Cross-currency swaps

The Group uses cross-currency swaps in connection with the financing of its US subsidiaries. In these swaps, the Group is the euro lender and the dollar borrower.

- Currency swaps

The Group uses currency swaps as part of its day-to-day cash management and in certain cases, to utilize euro-denominated financing for assets denominated in currencies other than the euro.

- Currency options and forward currency contracts

Currency options and forward currency contracts enable Group companies to hedge their foreign currency transactions, particularly their commercial transactions (purchases and sales) and investments.

- Commodity swaps and options

Commodity swaps are used to hedge the risk of changes in the purchase price of raw materials, particularly heavy fuel oils in Europe and natural gas in the United States and certain European countries. Commodity options enable Group companies to hedge the risk of changes in the purchase price of natural gas in the United States. Compagnie de Saint-Gobain has not currently entered into any such options.

Impact on equity of financial instruments eligible for hedge accounting

At June 30, 2008, the consolidated cash flow reserve carried in equity in accordance with IFRS had a credit balance of €106 million, breaking down as follows:

- €40 million corresponding to the remeasurement at fair value of interest rate swaps designated as cash flow hedges for the Group's April 2007 bond issue.
- €66 million corresponding to the remeasurement at fair value of hedges of natural gas and fuel oil purchases, to be reclassified to income when the hedged item itself affects income.

Impact on income of financial instruments not eligible for hedge accounting

The fair value of derivatives which are classified under financial assets and liabilities at fair value through profit or loss amounted to €14 million at June 30, 2008, compared with €3 million at June 30, 2007.

Embedded derivatives

Saint-Gobain regularly analyzes its contracts in order to separately identify financial instruments that may be classified as embedded derivatives under IFRS.
At June 30, 2008, no embedded derivatives deemed to be material at Group level were identified.

Group debt structure

The weighted average interest rate on total gross debt under IFRS and after hedging (cross-currency swaps, currency swaps, and interest rate swaps) was 4.9% at June 30, 2008, compared with 5.1% at the end of 2007.

The average internal rates of return for the Group's main long-term debt items, before hedging, break down as follows:

Internal rate of return on outstanding long term debt (in %)	June 30, 2008	December 31, 2007
Bond issues and Medium Term Notes	4.99%	4.96%
Perpetual bonds and participating securities	6.15%	5.98%
Acquisition related bank borrowings	4.82%	-

The table below presents the breakdown by currency and by interest rate (fixed or variable) of the Group's net debt at June 30, 2008, taking into account interest rate swaps, currency swaps and cross-currency swaps.

Net debt	**After hedging**		
in € millions	**Variable rate**	**Fixed rate**	**Total**
EUR	2,801	7,746	10,547
USD	685	85	770
GBP	313	755	1,068
NOK	234		234
SEK	395	4	399
Other currencies	34	143	177
TOTAL	**4,462**	**8,733**	**13,195**
	34%	66%	100%
Fair value of related derivatives			(53)
Accrued interest			179
TOTAL NET DEBT			**13,321**

Interest rate repricing schedule for financial assets and debt

The table below shows the interest rate repricing schedule at June 30, 2008 for gross debt and financial assets after hedging:

in € millions	**Within 1 year**	**1 to 5 years**	**Beyond 5 years**	**Total**
Gross debt	6,809	4,994	3,239	15,042
Impact of interest rate swaps	(1,250)	1,250		0
Cash and cash equivalents	(1,722)			(1,722)
NET DEBT AFTER HEDGING	**3,837**	**6,244**	**3,239**	**13,320**

NOTE 15 – BUSINESS INCOME AND EXPENSE

in € millions	**First-half 2008**	**First-half 2007**
Net sales	**22,141**	**21,779**
Personnel costs		
Salaries and payroll taxes	(4,020)	(3,947)
Share-based payment (a)	(37)	(36)
Pensions	(88)	(136)
Depreciation and amortization	(739)	(764)
Other (b)	(15,252)	(14,803)
Operating income	**2,005**	**2,093**
Gains on disposals of assets (c)	12	252
Recognition of negative goodwill in income		9
Other business income	**12**	**261**
Restructuring costs (d)	(41)	(75)
Provisions and expenses relating to claims and litigation (e)	(34)	(697)
Impairment of assets (f)	(43)	(258)
Other	(2)	(3)
Other business expense	**(120)**	**(1,033)**
Business income	**1,897**	**1,321**

(a) Including share-based payments under the stock option plans of €20 million for the first half 2008 (€20 million for first half 2007), and under the Group Savings Plan (see Note 16). The Group Savings Plan was recognized in full at the end of the offer period (April 10 for 2008).

(b) This item mainly relates to the costs of goods sold by the distribution network of the Building Distribution and Flat Glass sectors (€8,916 million in the first half of 2008 and €8,327 million in first-half 2007), as well as transport costs, costs of raw materials and other production costs for industrial activities. It also includes €12 million of net foreign exchange gains for the first half of 2008 (net foreign exchange losses of €1 million first half 2007).
In the first-half of 2008, research and development costs recorded under operating expenses amounted to €193 million (€194 million for first-half 2007).

(c) Gains on disposals of assets totaled €12 million in first-half 2008. At first half 2007 gains on disposals of assets totaling €252 million were mainly due to the sale of Saint-Gobain Desjonquères and its subsidiaries (see Note 2).

(d) Restructuring costs in first-half 2008 mainly consisted of employee termination benefits, in an amount of €25 million (€50 million in first-half 2007).

(e) Provisions and expenses relating to claims and litigation in first-half 2008 primarily included the asbestos-related litigation charge. In first half 2007 the provisions and expenses relating to claims and litigation also included the allowance for the non-competition claim explained in Notes 10 and 22.

(f) In first-half 2008, impairment losses on assets primarily included €6 million taken on goodwill (€56 million in first-half 2007), €33 million on property, plant and equipment (€33 million in first-half 2007), while the rest corresponds to impairment losses on intangible assets, financial or current assets. In first-half 2007, €161 million was recorded as impairment losses on assets held for sale.

NOTE 16 – GROUP SAVINGS PLAN

The PEG employee stock purchase plan is open to all Group employees in France and in most other countries where the Group does business. Eligible employees must have completed a minimum of three months' service with the Group. The Board of Directors delegates authorization for setting the exercise price to the Chief Executive Officer of Compagnie de Saint-Gobain. The exercise price corresponds to the average of the opening share price quoted over the 20 trading days preceding the date on which the price is set.

Under the Group savings plan, 8,272,947 shares with a par value of €4 were issued to employees in 2008 (2007: 4,981,609), representing an increase in share capital of €353 million (2007: €294 million).

Employees in countries that meet certain legal and tax requirements may opt for the standard formula and/or the leveraged formula.

Standard formula

The standard formula offers employees a 20% discount on the average share price. Employees may not sell their shares during a minimum holding period of five or ten years, barring exceptional circumstances. The expense relating to this plan is calculated in accordance with IFRS 2, taking into account the advantage accruing to employees based on the fair value of the discount over the holding period. The cost for employees of the non-transferability of the shares during the holding period is calculated based on a strategy involving (i) the forward sale of the shares and (ii) the cash purchase of an equivalent number of shares, financed by borrowing. The interest rate applicable to employee share awards and used to determine the non-transferability of the shares during the holding period for the Standard Group Savings Plan is the rate that would be applied by a bank to an individual with an average risk profile for a general purpose five- or ten-year consumer loan repayable at maturity (see Note 1).

The expense relating to this plan recorded in the income statement was €8.4 million in 2008 (2007: €11.9 million), net of the non-transferability cost amounting to €29.8 million (2007: €30.3 million).

The table below presents the main characteristics, amounts subscribed and cost assumptions of the 2007 and 2008 standard plans.

		2008	2007
	Plan characteristics		
	Grant date	February 22	February 23
	Maturity (in years)	5 or 10	5 or 10
	Base price (in €)	51.75	72.56
	Exercise price (in €)	41.41	58.05
	Basic discount	20.00%	20.00%
(a)	Total discount at the grant date	22.05%	21.11%
	Amount subscribed by employees (in €millions)	168.7	205.4
	Total number of shares subscribed	4,073,045	3,539,025
	Cost assumptions		
	Employee financing rate **(1)**	7.57%	7.36%
	Five-year risk-free interest rate	3.61%	4.02%
	Repo rate	0.25%	0.25%
(b)	Non-transferability cost	17.17%	15.24%
(c)	Total cost for the Group **(a-b)**	4.88%	5.87%

(1) A 0.5-percentage point decrease in the employee financing rate would have a €3.1 million impact on the IFRS 2 expense for 2008.

Leveraged formula

The leveraged plan, implemented in 2007 and 2008, allows employees to subscribe to Saint-Gobain shares at a 15% discount. This formula offers a different profit profile from the standard formula in that a third-party bank tops up the employee's contribution so that the total amount invested represents ten times the amount actually paid in. This protects the employee's contribution, ensures a minimum return and offers greater leverage on the number of shares subscribed.

The expense recorded for this plan in accordance with IFRS 2 is calculated in the same way as for the standard formula (see terms and conditions in Note 1), but takes into account the advantage accruing to employees who benefit from the same market conditions as the Group (representing the opportunity cost for Saint-Gobain, as presented in the table below).

The expense relating to leveraged plans recorded in the income statement in 2008 is €8.5 million (2007: €4.2 million), net of the non-transferability cost and opportunity cost amounting to €29.9 million (2007: €14.2 million).

The table below presents the main characteristics, amounts subscribed and cost assumptions of the 2007 and 2008 leveraged plans.

		2008	2007
	Plan characteristics		
	Grant date	February 22	February 23
	Maturity (in years)	5	5
	Base price (in €)	51.75	72.56
	Exercise price (in €)	43.99	61.68
	Basic discount	15.00%	15.00%
(a)	Total discount at the grant date	17.18%	16.19%
	Amount subscribed by employees (in €millions)	18.5	8.9
	Total amount subscribed (in €millions)	184.8	89.0
	Total number of shares subscribed	4,199,902	1,442,584
	Cost assumptions		
	Employee financing rate **(1)**	7.57%	7.36%
	Five-year risk-free interest rate	3.61%	4.02%
	Repo rate	0.25%	0.25%
	Volatility spread between retail/institutional rates **(2)**	5.50%	4.00%
(b)	Non-transferability cost	15.00%	15.00%
(c)	Opportunity cost	1.62%	1.65%
(d)	Total cost for the Group **(a-b+c)**	3.80%	2.84%

(1) A 0.5-percentage point decrease in the employee financing rate would have no impact on the IFRS 2 expense for 2008 as the cost of the mandatory holding period remains higher than the discount.

(2) A 0.5-percentage point increase in the volatility spread between retail and institutional rates would have a €0.5 million impact on the IFRS 2 expense for 2008.

NOTE 17 – OTHER FINANCIAL INCOME AND EXPENSE

Breakdown of other financial income and expenses

in € millions	First-half 2008	First-half 2007
Interest cost relating to pensions	(214)	(221)
Return on plan assets	215	227
Interest cost relating to pensions - net	**1**	**6**
Other financial expense	(36)	(57)
Other financial income	9	14
Other financial income and expense	**(26)**	**(37)**

Total interest paid and received

Net borrowing costs amount to €326 million for the first six months of 2008 (€314 million for the same period in 2007) and total interest paid and received came to €291 million (€267 million in first-half 2007).

NOTE 18 – RECURRING NET INCOME AND CASH FLOWS FROM OPERATIONS

Recurring net income came in at €1,101 million in first-half 2008, compared with €1,067 million in the corresponding prior-year period. Based on the weighted average number of shares outstanding (371,914,226 shares at June 30, 2008 and 364,639,299 at June 30, 2007), earnings per share (EPS) amounted to €2.96 in first-half 2007 and to €2.93 in the corresponding prior-year period.

The difference between net income and recurring net income can be analyzed as follows:

in € millions	**First-half 2008**	**First-half 2007**
Net income	**1,076**	**465**
Less:		
Gains on disposals of assets	12	252
Impairment of assets	(43)	(255)
Provision for non-competition claim	0	(650)
Impact of minority interests	(1)	2
Tax impact	7	49
Recurring net income	**1,101**	**1,067**

Cash flows from operations totaled €1,894 million (€1,932 million in first-half 2007) and cash flows from operations excluding capital gains tax totaled €1,887 million (€1,883 million in first-half 2007).

The calculation is as follows:

in € millions	**First-half 2008**	**First-half 2007**
Net income attributable to equity holders of the parent	**1,076**	**465**
Minority interests in net income	32	22
Share in net income of associates, net of dividends received	(3)	(3)
Depreciation, amortization and impairment of assets	778	1,005
Gains and losses on disposals of assets	(12)	(252)
Provision for non-competition claim	0	650
Unrealized gains and losses arising from changes in fair value and share-based payments	23	45
Cash flows from operations	**1,894**	**1,932**
Tax impact on capital gains and losses	(7)	(49)
Cash flows from operations excluding capital gains tax	**1,887**	**1,883**

NOTE 19 – EARNINGS PER SHARE

The calculation of earnings per share is shown below.

in € millions	**Net income attributable to equity holders of the parent**	**Number of shares**	**Earnings per share (in €)**
First-half 2008			
Weighted average number of shares in issue	1,076	371,914,226	**2.89**
Weighted average number of shares assuming full dilution	1,076	374,659,266	**2.87**
First-half 2007			
Weighted average number of shares in issue	465	364,639,299	**1.28**
Weighted average number of shares assuming full dilution	465	372,047,342	**1.25**

The weighted average number of shares in issue is calculated by deducting treasury stock (4,498,706 shares at June 30, 2008) from the average number of shares in issue during the year.

The weighted average number of shares assuming full dilution is calculated based on the weighted average number of shares in issue, assuming conversion of all dilutive instruments. The Group's dilutive instruments include stock options corresponding to a weighted average number of 2,745,040 shares at June 30, 2008 and 7,408,043 at June 30, 2007.

NOTE 20 – COMMITMENTS

The main movements between December 31, 2007 and June 30, 2008 are as follows:

- **Obligations under finance leases**

In first-half 2008, future lease payments due under finance leases decreased by €11 million.

- **Obligations under operating leases**

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

In the first half of 2008 commitments under operating leases increased by €40 million, due to a €94 million increase in respect of land and buildings offset by a decrease in relation to vehicles, machinery and equipment. The increase in land and buildings mainly came from the Building Distribution sector due to changes in Group structure.

- **Other contractual obligations**

Non-cancelable purchase commitments include commitments to purchase raw materials and services including vehicle leasing commitments, as well as non-cancelable investment-related orders.

At the end of first half 2008, non-cancelable purchase commitments decreased by €329 million due to tangible fixed assets investments in the Glass and Construction Products sectors and bond investments in the Building Distribution sector.

- **Commercial commitments**

Guarantee commitments increased by €23 million during the first half of 2008, amounting to €114 million at June 30, 2008 compared with €92 million at December 31, 2007.

NOTE 21 – RELATED –PARTY TRANSACTIONS

Transactions with key shareholders

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

NOTE 22 – LITIGATION

Asbestos-related litigation in France

In France, further individual lawsuits were filed in the first half of 2008 by former employees (or persons claiming through them) of Everite and Saint-Gobain PAM (“the employers”) – which in the past had carried out fiber-cement operations – for asbestos-related occupational diseases, with the aim of obtaining supplementary compensation over and above the amounts paid by the French Social Security authorities for the consequences of these diseases. At June 30, 2008 a total of 651 such lawsuits had been issued against the two companies since 1996.

At June 30, 2008, 518 of these 651 lawsuits had been completed both in relation to liability and quantum. In all of these cases, the employers were held liable on the grounds of “inexcusable fault”.

Everite and Saint-Gobain PAM have been held liable to pay a total amount of less than €2 million in compensation as regards to these lawsuits.

Out of the 133 lawsuits outstanding against Everite and Saint-Gobain PAM at June 30, 2008, the merits of 42 have been decided but the compensation awards have not yet been made, pending issue of medical reports. In all these cases, the Social Security authorities were ordered to pay the compensation for the victims for the same procedural reasons described above (statute of limitations, liability issues – *“inopposabilité”).*

Out of the 91 remaining lawsuits, 3 cases have not undergone any procedural measures for at least the last 3 years, and 11 have been dismissed following a claim made to the French Asbestos Victims Compensation Fund (FIVA). At June 30, 2008, the procedures relating to the merits of the other 77 cases were at different stages: 16 were involved in administrative proceedings with the French Social Security authorities, 48 were pending with the Social Security courts, 11 were pending with Courts of Appeal and 2 were pending with the Court of Cassation.

In addition, at June 30, 2008, 108 suits based on inexcusable fault had been filed by current or former employees of 13 other French companies in the Group since 1997, in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.

At June 30, 2008, 8 suits had been dismissed at the request of employees or former employees further to claims made to the Asbestos Victims Compensation Fund. At that date, the Asbestos Victims Compensation Fund had taken over proceedings in 4 cases where it had already paid compensation to the employee or former employee concerned.

At that same date, 62 lawsuits were completed, of which 13 rulings held the employer liable for inexcusable fault. However, these did not have any financial impact on the companies concerned.

For the 46 suits outstanding at June 30, 2008, 8 were in the investigation stage by the French Social Security authorities, 13 were pending before the Social Security courts and 9 before Courts of Appeal, and 4 cases had not undergone any procedural measures for at least the last 3 years.

Asbestos-related litigation in the United States

The estimated number of new asbestos-related claims filed against CertainTeed in the United States in the first half of 2008 came to approximately 3,000. On a rolling 12 month basis, new claims decreased to 5,000 at end-June 2008 compared to 6,000 end-December 2007 and 7,000 end-June 2007.

Some 4,000 claims were settled out of court in the first six months of 2008 which is in line with the number of claims settled in 2007.
Some 73,000 claims were outstanding at June 30, 2008 – a slight decrease versus December 31, 2007 (74,000) and December 31, 2006 (76,000).

An additional estimated provision of €37.5 million (USD 57.4 million) was recorded in the consolidated financial statements for the first half of 2008 in relation to CertainTeed’s asbestos claims. As in every year since 2002, a precise assessment of the provision required for the full year will be performed at the year-end.

Total compensation paid during the twelve-month period ending June 30, 2008 for claims against CertainTeed (including claims settled prior to June 30, 2007 but only paid during the past twelve months), as well as compensation paid (net of insurance coverage) during the twelve-month period ending June 30, 2008 by other U.S. Group businesses involved in asbestos litigation, amounted to about 46 million (USD 70 million), versus €53 million (USD 73 million) in 2007.

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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 assistance. Only a small number of asbestos-related lawsuits were outstanding at June 30, 2008 and they do not represent a material risk for the companies concerned.

***

European Commission investigation into the construction glass and automotive glass businesses

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

The Statements of Objections claim that the above-mentioned glass subsidiaries contacted or met with one or more competitors to discuss pricing strategies or market share stabilization, or to exchange illicit information.
Following a review of the case and the objections, Saint-Gobain Glass France is not challenging the allegations made in respect of its construction glass activity, while Saint-Gobain Glass France, Saint-Gobain Sekurit Deutschland and Saint-Gobain Sekurit France have acknowledged the claims against their automotive glass businesses but are challenging the scope given to certain such claims by the Commission.

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

In a decision of November 28, 2007 concerning its investigation into companies manufacturing construction glass, the European Commission held that Saint-Gobain Glass France had violated Article 81 of the Treaty of Rome. Accordingly, Saint-Gobain Glass France was fined, jointly and in severally with Compagnie de Saint-Gobain, an amount of €133.9 million. Compagnie de Saint-Gobain and Saint-Gobain Glass France decided not to appeal this decision and the fine was paid on March 3, 2008. Consequently, the amount of the provision of €694 set aside at December 31, 2007, was reduced to €560 million at June 30, 2008.

NOTE 23 – SEGMENT REPORTING

Segment information by sector and division

Segment information is presented as follows:

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

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

in € millions	FLAT GLASS	HIGH-PERFORMANCE MATERIALS	CONSTRUCTION PRODUCTS				BUILDING DISTRIBUTION	PACKAGING	Other*	**Total**
First-half 2008			Interior solutions	Exterior solutions	Items eliminated	Total				
External sales	2,859	2,058	2,838	2,613		5,451	10,037	1,733	3	22,141
Internal sales	26	65	332	222	(17)	537	2	0	(630)	0
Net sales	2,885	2,123	3,170	2,835	(17)	5,988	10,039	1,733	(627)	22,141
Operating income/(loss)	410	296	379	225		604	470	233	(8)	2,005
Business income/(loss)	394	261	383	216		599	473	231	(61)	1,897
Share in net income/(loss) of associates		1	4			4		1	1	7
Depreciation and amortization	160	90	155	83		238	138	102	11	739
Impairment of assets	21	17				0			1	39
Capital expenditure	220	86	232	86		318	134	115	8	881
Cash flows from operations	412	249	276	203		479	335	259	160	1,894

* "Other" corresponds to the elimination of intragroup transactions for internal sales and to holding operations for the other captions.

in € millions	FLAT GLASS	HIGH-PERFORMANCE MATERIALS	CONSTRUCTION PRODUCTS				BUILDING DISTRIBUTION	PACKAGING	Other*	Total
First-half 2007			Interior solutions	Exterior solutions	Items eliminated	Total				
External sales	2,780	2,427	3,066	2,114		5,180	9,521	1,869	2	21,779
Internal sales	17	59	327	153	(16)	464	1	2	(543)	0
Net sales	2,797	2,486	3,393	2,267	(16)	5,644	9,522	1,871	(541)	21,779
Operating income/(loss)	366	300	541	198		739	494	212	(18)	2,093
Business income/(loss)	(328)	43	540	187		727	494	462	(77)	1,321
Share in net income/(loss) of associates		3	4			4	1			8
Depreciation and amortization	172	123	154	71		225	131	106	7	764
Impairment of assets	14	221		8		8		(3)	1	241
Capital expenditure	166	73	231	71		302	152	125	10	828
Cash flows from operations	347	304	392	185		577	380	211	113	1,932

* "Other" corresponds to the elimination of intragroup transactions for internal sales and to holding operations for the other captions.

Information by geographic area

in € millions	France	Other western European Countries	North America	Emerging countries and Asia	Internal sales	Total
First-half 2008						
Net sales	6,806	10,244	2,649	3,552	(1,110)	**22,141**
Capital expenditure	202	272	97	310		**881**

in € millions	France	Other western European Countries	North America	Emerging countries and Asia	Internal sales	Total
First-half 2007						
Net sales	6,706	9,920	2,981	3,289	(1,117)	**21,779**
Capital expenditure	172	260	161	235		**828**

NOTE 24 – PRINCIPAL FULLY CONSOLIDATED COMPANIES

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

Principal fully consolidated companies at June 30, 2008		**% interest (held directly and indirectly)**
FLAT GLASS SECTOR		
Saint-Gobain Glass France	France	100.00%
Saint-Gobain Sekurit France	France	100.00%
Saint-Gobain Sekurit Deutschland GmbH & CO Kg	Germany	99.91%
Saint-Gobain Glass Deutschland GmbH	Germany	99.91%
SG Deutsche Glas GmbH	Germany	99.91%
Saint-Gobain Glass Benelux	Belgium	99.77%
Saint-Gobain Sekurit Benelux SA	Belgium	99.91%
Saint-Gobain Autover Distribution SA	Belgium	99.91%
Koninklijke Saint-Gobain Glass	Netherlands	99.77%
Saint-Gobain Glass Polska Sp Zoo	Poland	99.91%
Cebrace Cristal Plano Ltda	Brazil	50.00%
Saint-Gobain Vidros	Brazil	100.00%
Saint-Gobain Cristaleria SA	Spain	99.72%
Solaglas Ltd	United Kingdom	99.97%
Saint-Gobain Glass Italia	Italy	100.00%
Saint-Gobain Sekurit Italia	Italy	100.00%
Hankuk Glass Industries	South Korea	80.47%
Hankuk Sekurit Limited	South Korea	90.11%
Saint-Gobain Glass India	India	97.80%
HIGH-PERFORMANCE MATERIALS SECTOR		
Saint-Gobain Abrasifs	France	99.92%
Société Européenne des Produits Réfractaires	France	100.00%
Saint-Gobain Abrasives Inc.	United States	100.00%
Saint-Gobain Ceramics & Plastics Inc.	United States	100.00%
Saint-Gobain Performance Plastics Corp.	United States	100.00%
SG Abrasives Canada Inc	Canada	100.00%
Saint-Gobain Abrasivi	Italy	99.92%
SEPR Italia	Italy	100.00%
Saint-Gobain Abrasivos Brasil	Brazil	100.00%
Saint-Gobain Abrasives BV	Netherlands	99.92%
Saint-Gobain Abrasives Ltd	United Kingdom	99.97%
Saint-Gobain Vertex SRO	Czech Republic	100.00%

CONSTRUCTION PRODUCTS SECTOR

INTERIOR SOLUTIONS

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

EXTERIOR SOLUTIONS

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

BUILDING DISTRIBUTION SECTOR

Distribution Sanitaire Chauffage	France	100.00%
Lapeyre	France	100.00%
Point.P	France	100.00%
Saint-Gobain Idaplac	Spain	100.00%
Saint-Gobain Distribucion y Construccion	Spain	100.00%
La Plataforma	Spain	100.00%
Raab Karcher GmbH	Germany	100.00%
Saint-Gobain Building Distribution Ltd	United Kingdom	99.97%
Raab Karcher BV	Netherlands	100.00%
Dahl International AB	Sweden	100.00%
Optimera Gruppen AS	Norway	100.00%
Norandex	United States	100.00%
Sanitas Troesch	Switzerland	100.00%

PACKAGING SECTOR

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

NOTE 25 – SUBSEQUENT EVENTS

Following a successful takeover bid Saint-Gobain finalized its acquisition of the British distribution materials group Gibbs & Dandy on July 1, 2008.

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