CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2007

SAINT-GOBAIN

GROUP CONSOLIDATION AND
REPORTING DEPARTMENT

CONSOLIDATED BALANCE SHEET

(in € millions)	Notes	June 30, 2007	Dec. 31, 2006
ASSETS			
Goodwill	(3)	9,402	9,327
Other intangible assets	(4)	3,180	3,202
Property, plant and equipment	(5)	12,436	12,769
Investments in associates	(6)	114	238
Deferred tax assets	(10)	405	348
Other non-current assets		577	390
Non-current assets		**26,114**	**26,274**
Inventories	(7)	6,079	5,629
Trade accounts receivable	(8)	7,381	6,301
Current tax receivable		73	66
Other accounts receivable	(8)	1,363	1,390
Assets held for sale	(2)	789	548
Cash and cash equivalents	(14)	1,203	1,468
Current assets		**16,888**	**15,402**
Total assets		**43,002**	**41,676**
EQUITY AND LIABILITIES			
Capital stock		1,495	1,474
Additional paid-in capital and legal reserve		3,604	3,315
Retained earnings and net income for the period		9,738	9,562
Cumulative translation adjustments		137	140
Fair value reserves		(7)	(20)
Treasury stock		(215)	(306)
Shareholders' equity		**14,752**	**14,165**
Minority interests		290	322
Total equity		**15,042**	**14,487**
Long-term debt	(14)	9,795	9,877
Provisions for pensions and other employee benefits	(9)	1,803	2,203
Deferred tax liabilities	(10)	1,401	1,222
Other non-current liabilities	(11)	1,496	936
Non-current liabilities		**14,495**	**14,238**
Current portion of long-term debt	(14)	637	993
Current portion of other liabilities	(11)	473	467
Trade accounts payable	(12)	5,824	5,519
Current tax liabilities		275	190
Other payables and accrued expenses	(12)	3,200	3,336
Liabilities held for sale	(2)	278	249
Short-term debt and bank overdrafts	(14)	2,778	2,197
Current liabilities		**13,465**	**12,951**
Total equity and liabilities		**43,002**	**41,676**

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

CONSOLIDATED INCOME STATEMENT

(in € millions)	Notes	**First-half 2007**	**First-half 2006**
Net sales	(22)	21,779	20,551
Cost of sales	(16)	(16,090)	(15,368)
Selling, general and administrative expenses including research	(16)	(3,595)	(3,365)
Other operating income and expense	(16)	(1)	(3)
Operating income		2,093	1,815
Other business income	(16)	261	141
Other business expense	(16)	(1,033)	(285)
Business income		**1,321**	**1,671**
Borrowing costs, gross		(350)	(339)
Income from cash and cash equivalents		36	26
Borrowing costs, net		(314)	(313)
Other financial income and expense	(17)	(37)	(61)
Net financial expense		**(351)**	**(374)**
Share in net income/(loss) of associates		8	(2)
Income taxes	(10)	(491)	(479)
Net income		**487**	**816**
Attributable to equity holders of the parent		**465**	**797**
Minority interests		22	19

Earnings per share (in €)

Weighted average number of shares in issue		364,639,299	338,648,777
Basic earnings per share	(19)	1.28	2.35
Weighted average number of shares assuming full dilution		372,047,342	360,923,576
Diluted earnings per share	(19)	1.25	2.25

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

CONSOLIDATED CASH FLOW STATEMENT

(in € millions)	Notes	First-half 2007	First-half 2006
Net income attributable to equity holders of the parent		**465**	**797**
Minority interests in net income	(*)	22	19
Share in net income of associates, net of dividends received		(3)	5
Depreciation, amortization and impairment of assets	(16)	1,005	887
Gains and losses on disposals of assets	(16)	(252)	(141)
Provision for non-competition claim		650	
Unrealized gains and losses arising from changes in fair value and share-based payments		45	76
Cash flows from operations		**1,932**	**1,643**
Changes in inventories	(7)	(539)	(462)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(8) (12)	(627)	(640)
Changes in tax receivable and payable	(10)	102	228
Changes in deferred taxes and provisions for other liabilities and charges	(10) (11)	(18)	(233)
Net cash generated from operating activities		**850**	**536**
Purchases of property, plant and equipment [First-half 2007: (822), First-half 2006: (811)] and intangible assets	(4) (5)	(858)	(854)
Increase (decrease) in amounts due to suppliers of fixed assets		(233)	(160)
Acquisitions of shares in consolidated companies [First-half 2007: (308), First-half 2006: (298)], net of cash acquired		(267)	(236)
Acquisitions of other investments		(124)	(48)
Increase (decrease) in investment-related liabilities	(11)	(85)	(117)
Investments		**(1,567)**	**(1,415)**
Disposals of property, plant and equipment and intangible assets	(4) (5)	53	43
Disposals of shares in consolidated companies, net of cash divested		488	656
Disposals of other investments		1	1
Other divestments		2	(538)
Divestments		**544**	**162**
(Increase) decrease in loans and deposits		25	36
Net cash used in investing activities/divestments		**(998)**	**(1,217)**
Issues of capital stock	(*)	310	220
Minority interests' share in capital increases of subsidiaries	(*)		3
(Increase) decrease in treasury stock	(*)	80	15
Dividends paid	(*)	(621)	(459)
Dividends paid to minority shareholders of consolidated subsidiaries	(*)	(52)	(33)
Increase (decrease) in dividends payable		(1)	4
Increase (decrease) in bank overdrafts and other short-term borrowings		704	372
Increase (decrease) in long-term debt		(480)	(225)
Net cash used in financing activities		**(60)**	**(103)**
Net increase (decrease) in cash and cash equivalents		**(208)**	**(784)**
Net effect of exchange rate changes on cash and cash equivalents		11	(42)
Cash and cash equivalents classified as assets held for sale	(2)	(68)	0
Cash and cash equivalents at beginning of period		**1,468**	**2,080**
Cash and cash equivalents at end of period		**1,203**	**1,254**

(*) 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 10 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)	**First-half 2007**	**First-half 2006**
Net income attributable to equity holders of the parent	**465**	**797**
Actuarial gains and losses, net of tax	268	367
Translation adjustments	(3)	(371)
Changes in fair value recognized in equity	13	(20)
Other (a)	39	0
Income and expense recognized directly in equity	**317**	**(24)**
Total recognized income and expense attributable to equity holders of the parent	**782**	**773**

(a) Following the non-renewal of the worldwide consolidated taxable income agreement after 2006, a deferred tax asset of €48 million 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 this year. Of this amount, €9 million was recognized in income corresponding to tax savings on the IFRS 2 charge recognized in the income statement since the adoption of IFRS. The balance of €39 million was recognized in equity.

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, 2006	**345,256,270**	**336,873,109**	**1,381**	**2,261**	**8,008**	**635**	**16**	**(310)**	**11,991**	**327**	**12,318**
Income and expense recognized directly in equity			0	0	367	(371)	(20)	0	**(24)**	0	**(24)**
Net income for the period					797				**797**	19	**816**
Total recognized income and expense for the period			*0*	*0*	*1,164*	*(371)*	*(20)*	*0*	*773*	*19*	*792*
Issues of capital stock											
- Group Savings Plan	5,399,291	5,399,291	22	198					**220**		**220**
- Stock option plans									**0**		**0**
- Other									**0**	3	**3**
Dividends paid (€1.36 per share)					(459)				**(459)**	(33)	**(492)**
Treasury stock purchased		(1,105,000)						(59)	**(59)**		**(59)**
Treasury stock retired									**0**		**0**
Treasury stock sold		2,094,996			15			59	**74**		**74**
Share-based payments					37				**37**		**37**
At June 30, 2006	**350,655,561**	**343,262,396**	**1,403**	**2,459**	**8,765**	**264**	**(4)**	**(310)**	**12,577**	**316**	**12,893**
Income and expense recognized directly in equity			0	0	(74)	(124)	(16)	0	**(214)**	(19)	**(233)**
Net income for the period					840				**840**	26	**866**
Total recognized income and expense for the period			*0*	*0*	*766*	*(124)*	*(16)*	*0*	*626*	*7*	*633*
Issues of capital stock											
- Group Savings Plan									**0**		**0**
- Stock option plans	342,550	342,550	1	11					**12**		**12**
- Other	17,421,612	17,421,612	70	845					**915**	(1)	**914**
Treasury stock purchased		(871,708)						(51)	**(51)**		**(51)**
Treasury stock retired									**0**		**0**
Treasury stock sold		1,525,205			10			55	**65**		**65**
Share-based payments					21				**21**		**21**
At December 31, 2006	**368,419,723**	**361,680,055**	**1,474**	**3,315**	**9,562**	**140**	**(20)**	**(306)**	**14,165**	**322**	**14,487**
Income and 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	0	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**

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 (together "the Group") have been prepared in accordance with the recognition and measurement principles set out in 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, 2006, prepared in accordance with IFRS as adopted by the European Union.

The same accounting policies were applied in the Group's interim consolidated financial statements as in its financial statements for the year ended December 31, 2006.

The standards, interpretations and amendments to the published standards whose application is compulsory in 2007 (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, 2008 (see table below).

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 expenses and income 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 liabilities and charges, and financial instruments, asset impairment tests and share-based payments. All such estimates are revised at the balance sheet date and tests are carried out to assess their sensitivity to changes in assumptions.

These financial statements were approved by the Board of Directors on July 26, 2007. All amounts are expressed in millions of euros.

Summary of new standards, interpretations and amendments to published standards

Standards, interpretations and amendments to existing standards effective in 2007	
IFRS 7	Financial Instruments: Disclosures
IAS 1	Capital Disclosures amendment
IFRIC 7	Applying the Restatement Approach under IAS 29
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
Standards, interpretations and amendments to existing standards early adopted in the 2007 financial statements	
IFRS 8	Operating Segments
IAS 23	Borrowing Costs – amendments to the standard
IFRIC 11	Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements

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 as part of 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, Germany, Spain and the Netherlands – an actuarial valuation is performed at end-June in order to adjust the amount recorded in provisions for pensions and other employee benefits. 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 2007 are shown in Note 2, and a summary list of the principal consolidated companies at June 30, 2007 is provided in Note 23.

Consolidation methods

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

The Group recognizes its interests in jointly controlled entities using proportionate consolidation. It 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 exercises significant influence, either directly or indirectly, are consolidated 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, under "other liabilities", of an investment-related liability corresponding to the present value of the estimated exercise price for the put option, with a corresponding reduction in minority interests and the recognition of 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 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. The income and expenses of 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 the 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 from the acquisition date, within twelve months of that 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.

Greenhouse gas emission allowances were not recognized 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:

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” and “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. The CGU generally reflects the manner in which the Group organizes its businesses and analyzes its results for internal management purposes.

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 and 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 2%). The discount rate used for these cash flows corresponds to the Group's cost of capital (7% for full-year 2006 and first-half 2007).
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 reveals 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 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 fewer than 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, and Océane convertible bonds are broken down into a liability component and an equity component until they are converted.
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 treasury bills), 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 14.

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. The remeasurement of the hedged item at fair value limits exposure to the risk of changes in fair value on interest rate swaps to 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, commodity and energy 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 as observed since the Océane bond issue in January 2002. 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".

In order to calculate the costs relating to its Group Savings Plan, the Group applies a method which 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 2007, the Saint-Gobain Group implemented a leveraged Group Savings Plan which provides a 15% discount and allows employees participating in the plan 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 was calculated based on the higher of (i) the expense calculated under the terms and conditions of the standard Group Savings Plan, taking into account the 15% discount, and (ii) the additional specific advantage corresponding to the hability granted to employees to benefit from market conditions identical to those of the Group. Calculation method are anyway the same as for the standard formula.

The charge relating to the two plans is recorded in full at June 30, 2007.

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 the Group has a present legal or constructive obligation towards a third party as a result of a past event, where it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the timing or the amount of the obligation cannot be measured with sufficient reliability, it is classified as a contingent liability and constitutes an off-balance sheet commitment. However, contingent liabilities relating to business combinations are recognized in the balance sheet.

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

- *Investment-related liabilities*

Investment-related liabilities correspond to 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 considerations. They are reviewed on a periodic basis. The impact of the passage of time on these liabilities 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 when (i) 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 allocations to and reversals of 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

Under an agreement with the French tax authorities, Compagnie de Saint-Gobain was assessed for income tax purposes on its consolidated taxable income. As the Group decided not to renew this agreement, this taxation method was ended as from December 31, 2006 (see Note 10).

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.

CASH FLOW STATEMENT

"Cash flows from operations" as presented in the consolidated cash flow statement correspond 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.

SEGMENT INFORMATION

The Group's primary reporting segment is based on sectors and divisions and the secondary reporting format is based on geographic areas (as per Note 22), reflecting the Group's internal structure.

NOTE 2 – CHANGES IN GROUP STRUCTURE

Changes in Group structure were as follows :

First-half 2007	**France**	**Outside France**	**Total**
Fully consolidated companies			
At January 1, 2007	222	1,240	1,462
Newly consolidated companies	17	47	64
Merged companies	(7)	(40)	(47)
Deconsolidated companies	(4)	(11)	(15)
Change in consolidation method	1	10	11
At June 30, 2007	**229**	**1,246**	**1,475**
Proportionately consolidated companies			
At January 1, 2007	2	10	12
Newly consolidated companies		1	1
Change in consolidation method		1	1
At June 30, 2007	**2**	**12**	**14**
Companies accounted for by the equity method			
At January 1, 2007	9	91	100
Newly consolidated companies		5	5
Merged companies		(4)	(4)
Deconsolidated companies		(2)	(2)
Change in consolidation method	(1)	(11)	(12)
At June 30, 2007	**8**	**79**	**87**
Total at June 30, 2007	**239**	**1,337**	**1,576**

The total number of consolidated companies includes the entities of the Reinforcements and Composites business, which were classified as held for sale at June 30, 2007.

Significant changes in Group structure

First-half 2007

The Building Distribution sector made several acquisitions during the first six months of 2007, mainly in France, the United Kingdom, Germany and the Netherlands.

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 (excluding the Brazilian subsidiary, the sale of which will be finalized in the second half of the year) was recorded during the first half of the year under “Other business income" (see Note 16). Consolidated sales for first-quarter 2007 totaled €149 million.

The Saint-Gobain Group subsequently decided to invest up to 19.9% of the shares 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". Subsequent changes in the fair value of these convertible bonds will be accounted for through income.

2006

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

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

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

Assets and liabilities held for sale

In 2006, the Saint-Gobain Group announced its plan to combine its Reinforcements and Composites business with that of the Owens Corning Group in a joint-venture. During first-half 2007 this plan changed, with Saint-Gobain envisaging instead the sale of the Reinforcements and Composites business to Owens Corning. Accordingly, the assets and liabilities of the Reinforcements and Composites business were reported as assets and liabilities held for sale in the consolidated balance sheet at June 30, 2007 along with the US reinforcement fibers businesses, based in Wichita Falls, Texas. These businesses will be sold separately.
As specified in Note 16 to the consolidated financial statements, impairment was recorded in order to reduce the value of the Reinforcement and Composites businesses to their market value.

Assets and liabilities held for sale break down as follows:

(in € millions)	**At June 30, 2007**
Intangible assets and goodwill	85
Property, plant and equipment, net	442
Other non-current assets	17
Inventories, trade and other accounts receivable	338
Cash and cash equivalents	68
Impairment of the Reinforcements and Composites business	(161)
Total assets held for sale	**789**
Provisions for pensions and other employee benefits	27
Deferred tax liabilities and other non-current liabilities	39
Trade and other accounts payable and accrued expenses, and other current liabilities	172
Long- and short-term debt and bank overdrafts	40
Total liabilities held for sale	**278**

NOTE 3 – GOODWILL

(in € millions)	**First-half 2007**
At January 1	
Gross value	9,481
Accumulated impairment	(154)
Net	**9,327**
Movements during the period	
Changes in Group structure	254
Impairment	(56)
Translation adjustments	(45)
Reclassification to assets held for sale	(78)
Total	**75**
At June 30	
Gross value	9,609
Accumulated impairment	(207)
Net	**9,402**

The change in goodwill during first-half 2007 is mainly attributable to Izocam (acquisition cost: €111 million, including €42 million in respect of 2007; goodwill: €69 million) and to various acquisitions by the Building Distribution sector, mainly in France, the United Kingdom, Germany and the Netherlands.

NOTE 4 – OTHER INTANGIBLE ASSETS

(in € millions)	Patents	Non-amortizable brands	Software	Development costs	Other	Total
At December 31, 2006						
Gross value	111	2,843	630	46	267	3,897
Accumulated amortization and impairment	(95)		(446)	(13)	(141)	(695)
Net	**16**	**2,843**	**184**	**33**	**126**	**3,202**
Movements during the period						
Changes in Group structure and reclassifications			15	2	(11)	6
Acquisitions			15	2	19	36
Disposals					(1)	(1)
Translation adjustments		(6)	(1)		(1)	(8)
Amortization and impairment	(1)		(37)	(5)	(5)	(48)
Reclassification to assets held for sale			(4)	(2)	(1)	(7)
Total	**(1)**	**(6)**	**(12)**	**(3)**	**0**	**(22)**
At June 30, 2007						
Gross value	109	2,837	608	46	265	3,865
Accumulated amortization and impairment	(94)		(436)	(16)	(139)	(685)
Net	**15**	**2,837**	**172**	**30**	**126**	**3,180**

Other items recorded under this heading include amortizable manufacturing brands totaling €50 million at June 30, 2007 (€52 million at December 31, 2006).

Greenhouse gas emissions allowances allocated to the Group's European companies together represent around 6.5 million metric tons of CO_2 for the period 2005 to 2007. The unit value of these allowances varies between €8 per metric ton of CO_2 (at January 1, 2005, the date the allowances were allocated) and approximately €0.12 per ton (at June 30, 2007 on the Powernext Carbon market), depending on the market concerned.

The aggregate allowances granted to the Group's companies in 2005, 2006 and 2007 exceed the amount of actual greenhouse gases emitted by the Group as a whole by some 0.9 million metric tons of CO_2. The Group sold 360,000 excess CO_2 allowances at the start of 2007 at an average unit price of €1.81.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

(in € millions)	Land and quarries	Buildings	Machinery and equipment	Assets under construction	Total
At December 31, 2006					
Gross value	1,961	6,859	18,040	1,579	28,439
Accumulated depreciation and impairment	(248)	(3,365)	(12,035)	(22)	(15,670)
Net	**1,713**	**3,494**	**6,005**	**1,557**	**12,769**
Movements during the period					
Changes in Group structure and reclassifications	21	5	16	11	53
Acquisitions	15	44	179	590	828
Disposals	(7)	(18)	(17)	(2)	(44)
Translation adjustments	(2)	5	18	1	22
Depreciation and impairment	(19)	(136)	(589)	(6)	(750)
Reclassification to assets held for sale	(12)	(74)	(264)	(92)	(442)
Transfers	0	141	334	(475)	0
Total	**(4)**	**(33)**	**(323)**	**27**	**(333)**
At June 30, 2007					
Gross value	1,980	6,847	17,557	1,604	27,988
Accumulated depreciation and impairment	(271)	(3,386)	(11,875)	(20)	(15,552)
Net	**1,709**	**3,461**	**5,682**	**1,584**	**12,436**

As an industrial group, Saint-Gobain does not have a significant non-operating property portfolio, except for its head office building.

In the first half of 2007, acquisitions of property, plant and equipment included new finance leases in an amount of €6 million, which are not shown in the consolidated cash flow statement in accordance with IAS 7. At June 30, 2007, total property, plant and equipment acquired under finance leases amounted to €199 million (see Note 20).

NOTE 6 – INVESTMENTS IN ASSOCIATES

At June 30, 2007, investments in associates amounted to €114 million compared with €238 million at December 31, 2006. The decrease in this item relates mainly to the change in consolidation method of Izocam and Saint-Gobain Envases SA in an amount of €113 million.

NOTE 7 – INVENTORIES

(in € millions)	**June 30, 2007**	**December 31, 2006**
Gross value		
Raw materials	1,382	1,312
Work in progress	316	291
Finished goods	4,795	4,426
Gross inventories	**6,493**	**6,029**
Provisions for impairment in value		
Raw materials	(98)	(98)
Work in progress	(9)	(10)
Finished goods	(307)	(292)
Provisions for impairment in value	**(414)**	**(400)**
Net inventories	**6,079**	**5,629**

In the first half of 2007, "Cost of sales" came to €16,090 million, compared with €15,368 million in first-half 2006.

Impairment of inventories recorded in the first-half 2007 income statement amounted to €75 million (€56 million in first-half 2006). Impairment reversals recorded due to increases in the net realizable value of inventories were deducted from expenses for the period in an amount of €43 million, versus €23 million in first-half 2006.

NOTE 8 – TRADE AND OTHER ACCOUNTS RECEIVABLE

(in € millions)	**June 30, 2007**	**December 31, 2006**
Gross value	7,768	6,687
Provisions for impairment in value	(387)	(386)
Trade accounts receivable	**7,381**	**6,301**
Advances to suppliers	455	582
Prepaid payroll taxes	37	22
Other prepaid and recoverable taxes (other than income tax)	341	293
Accrued income	9	14
Other	526	485
Provisions for impairment in value	(5)	(6)
Other accounts receivable	**1,363**	**1,390**

The net expense in respect of irrecoverable and doubtful receivables amounted to €43 million on first-half 2007, unchanged on the same period of 2006.

The change in trade and other accounts receivable at June 30, 2007 is primarily attributable to the impact of seasonal fluctuations on the Group's operations.

NOTE 9 – PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

(in € millions)	**June 30, 2007**	**December 31, 2006**
Pension obligations	1,040	1,415
Retirement bonus obligations	229	236
Post-employment healthcare benefit obligations	349	363
Total provisions for pensions and other post-employment benefit obligations	1,618	2,014
Healthcare benefits	48	51
Long-term incapacity benefits	43	45
Other long-term benefits	94	93
Provisions for pensions and other employee benefits	**1,803**	**2,203**

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 €185 million at June 30, 2007, compared with €189 million at December 31, 2006. This item covers all other employee benefits, 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 and the United Kingdom.
Contributions for 2006 comprised an exceptional payment of €672 million, including €516 million in connection with the transfer to an external fund of a substantial portion of pension obligations relating to German companies.

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 2006 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, 2006 for valuing pension obligations and plan assets and for measuring the related expense for the first half of 2007 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	4.75%	4.75%	5.10%	6.00%
Salary increases	2.40%	2.25% to 3.50%	3.35% to 3.60%	3.00%
Expected return on plan assets	5.00%	3.50% to 6.50%	6.50% to 6.90%	8.75%

In light of the increase in interest rates, the discount rates used to calculate pension obligations were revised upwards at June 30, 2007 to 5.25% for the Euro zone, 5.60% for the United Kingdom, and 6.25% 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 €508 million decrease in pension obligations.

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.

Deferred variances

In 2006 the Group elected to apply the option available under IAS 19 providing for the recognition in equity of actuarial gains and losses (see Note 1). Deferred variances now consist only of the effects of plan modifications (past service cost).

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, 2007, for an amount of €1 million and €27 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, 2006	
Total provisions for pensions and other post-employment benefit obligations	**2,014**
Movements during the period	
Charge for the period	83
Interest cost	(6)
Actuarial gains and losses for the period	(320)
Contributions and benefits paid	(135)
Changes in Group structure	(13)
Other (reclassifications and translation adjustments)	(5)
Total	**(396)**
At June 30, 2007	
Total provisions for pensions and other post-employment benefit obligations	**1,618**

The overall impact of actuarial gains and losses on equity is a pre-tax increase of €403 million (€268 million net of deferred taxes). This amount includes €83 million of actuarial gains and losses on prepaid pension costs (after a €93 million asset ceiling effect) and €320 million of increase of actuarial gains and losses provision in liabilities.

Statutory training entitlement in French companies (DIF)

Pursuant to opinion no. 2004-F issued by the Emerging Issues Taskforce of the *Conseil National de la Comptabilité* (French National Accounting Board) on October 13, 2004, no provision has been accrued in the consolidated financial statements in connection with training entitlements vested by employees.

NOTE 10 – 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 non-renewal of this agreement was taken into account in computing deferred taxes at December 31, 2006.

The net pre-tax income of companies included in the tax group is as follows:

(in € millions)	**First-half 2007**	**First-half 2006**
Net income	487	816
less:		
Share in net income of associates	8	(2)
Income taxes	(491)	(479)
Net pre-tax income of companies included in the tax group	**970**	**1,297**

The income tax expense breaks down as follows:

(in € millions)	**First-half 2007**	**First-half 2006**
Current taxes	**(447)**	**(664)**
France	(84)	(269)
Outside France	(363)	(395)
Deferred taxes	**(44)**	**185**
France	23	177
Outside France	(67)	8
Total income tax expense	**(491)**	**(479)**

Taxes paid in the first half of 2007 amounted to €345 million, compared with €435 million in first-half 2006.
In light of the non-deductible nature of certain expenses incurred during the period, including the provision for the non-competition claim (see Note 21), the income tax expense for first-half 2007 represented 51% of the net pre-tax income of companies included in the tax group, compared with 37% in the equivalent prior-year period.

Changes in net deferred tax liabilities in the balance sheet break down as follows:

(in € millions)	**Net deferred tax liabilities**
At December 31, 2006	**874**
Deferred tax expense/(benefit) for the period	44
Changes in deferred taxes relating to actuarial gains and losses in accordance with IAS 19 (Note 9)	135
Translation adjustments	3
Effect of changes in Group structure and other	(60)
At June 30, 2007	**996**

Principal components of net deferred tax liabilities are as follows:

(in € millions)	**June 30, 2007**	**December 31, 2006**
Deferred tax assets	405	348
Deferred tax liabilities	(1,401)	(1,222)
Net deferred tax liabilities	**(996)**	**(874)**
Pensions	472	641
Brands	(887)	(889)
Depreciations, amortization, excess tax depreciation and provisions recorded for tax purposes	(1,100)	(1,127)
Tax loss carryforwards	148	181
Other	371	320
Total	**(996)**	**(874)**

From January 1, 2007, 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).
At June 30, 2007, the Group recognized €405 million in deferred tax assets, primarily relating to the United States (€230 million) and Germany (€37 million) and €1,401 million in deferred tax liabilities relating to various countries including France (€587 million) and the United Kingdom (€398 million). Other countries accounted for significantly lower amounts.
Deferred tax assets whose recovery the Group did not deem probable at December 31, 2006, were not recognized in the balance sheet in an amount of €173 million (unchanged at June 30, 2007).

NOTE 11 – OTHER CURRENT AND NON-CURRENT LIABILITIES

(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, 2006								
Current portion	103	25	110	25	72	104	28	467
Non-current portion	258	106	91	31	92	192	166	936
Total provisions for other liabilities and investment-related payables	**361**	**131**	**201**	**56**	**164**	**296**	**194**	**1,403**
Movements during the period								
Additions	698	10	56	18	32	12		826
Reversals	(1)		(13)	(5)	(7)	(9)		(35)
Utilizations	(41)	(7)	(47)	(7)	(22)	(12)		(136)
Changes in Group structure				1		1	(10)	(8)
Other (reclassifications and translation adjustments)	(9)	18	(2)	1	(2)	(3)	(84)	(81)
Total	**647**	**21**	**(6)**	**8**	**1**	**(11)**	**(94)**	**566**
At June 30, 2007								
Current portion	100	26	111	32	76	96	32	473
Non-current portion	908	126	84	32	89	189	68	1,496
Total provisions for other liabilities and investment-related payables	**1,008**	**152**	**195**	**64**	**165**	**285**	**100**	**1,969**

Provision for claims and litigation

In 2007, the provision for claims and litigation covers the costs of the non-competition claim and asbestos-related lawsuits filed against the Group. These provisions are described in further detail in Note 21.

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 amounted to €195 million at June 30, 2007 (including net additions of €43 million during the period), compared with €201 million at December 31, 2006. The provision notably concerns the United Kingdom (€44 million), Germany (€38 million), South Korea (€29 million), the Benelux countries (€31 million), and France (€27 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, 2007, provisions for other contingencies amounted to €285 million and related mainly to France (€47 million), Germany (€51 million), the United Kingdom (€33 million), Italy (€23 million), North America (€68 million) and Latin America (€29 million).

Investment-related liabilities

In first-half 2007, the decrease in investment-related liabilities is mainly attributable to the acquisition by the Flat Glass sector of minority interests in Hankuk Glass Industries.

At June 30, 2007, investment-related liabilities primarily include additional purchase considerations and deferred payments on acquisitions undertaken by the Building Distribution, Packaging and Construction Products sectors.

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

NOTE 12 – TRADE AND OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

(in € millions)	**June 30, 2007**	**December 31, 2006**
Trade accounts payable	**5,824**	**5,519**
Customer deposits	573	591
Payable to suppliers of non-current assets	177	402
Grants received	49	53
Accrued personnel expenses	964	1,006
Accrued taxes other than on income	560	378
Other	877	906
Total other payables and accrued expenses	**3,200**	**3,336**

The overall decrease in trade accounts payable, other payables and accrued expenses at June 30, 2007, is primarily attributable to the impact of seasonal fluctuations on the Group's operations.

NOTE 13 – RISK FACTORS

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

Liquidity risk

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, drawdowns on a syndicated line of credit arranged in 2005, and finance leases.

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

Compagnie de Saint-Gobain’s US Commercial Paper, Euro Commercial Paper, and *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 14. 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 14.

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, Compagnie de Saint-Gobain, the Group parent company, is the exclusive counterparty.

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. These instruments are traded over-the-counter with counterparties meeting minimum rating standards as defined in the Group’s financial policy.

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 with Compagnie de Saint-Gobain on receipt of orders sent by the subsidiaries or by cash pools of the national delegations.

Equity risk

As the Group always favors money-market funds and/or bonds when purchasing mutual funds or equivalents, it is not exposed to any equity risk on its short-term investments.

The Group previously held a portfolio of shares in listed companies, which has been fully sold.

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.
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.

Occasionally, and following the same rules, the Group Treasury and Financing Department may enter into contracts to hedge purchases of other commodities.

Note 15 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 revision schedule.

NOTE 14 – NET DEBT

Long- and short-term debt

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

(in € millions)	**June 30, 2007**	**Dec. 31, 2006**
Bond issues	8,483	6,223
Perpetual bonds and participating securities	203	203
Acquisition-related bank borrowings	498	2,989
Other long-term debt including finance leases	455	464
Debts recognized at fair value (fair value option)	144	
Fair value of interest rate hedges	12	(2)
Total long-term debt (excluding current portion)	**9,795**	**9,877**
Current portion of long-term debt	**637**	**993**
Short-term financing programs (US CP, euro CP and *Billets de Trésorerie*)	1,020	221
Bank overdrafts and other short-term bank borrowings	1,115	1,331
Securitization	645	652
Fair value of derivatives relating to borrowings not qualified as hedges	(2)	(7)
Short-term debt and bank overdrafts	**2,778**	**2,197**
Total debt – gross	**13,210**	**13,067**
Cash and cash equivalents	(1,203)	(1,468)
Total net debt including accrued interest	**12,007**	**11,599**

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounted to €9.9 billion at June 30, 2007, for a carrying amount of €9.7 billion.

Long-term debt repayment schedule

The repayment schedule for gross long-term debt at June 30, 2007 breaks down as follows:

(in € millions)	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues	EUR	0	5,135	2,427	7,562
	GBP	221	0	886	1,107
	USD	37	0	0	37
	Other	0	35	0	35
Perpetual bonds and participating securities	EUR	0	0	203	203
Acquisition-related bank borrowings	EUR	0	498	0	498
Other long-term debt	All currencies	205	368	87	660
Debts recognized at fair value	EUR	0	0	144	144
Fair value of interest rate hedges	EUR	0	0	11	11
	GBP	0	1	0	1
	USD	0	0	0	0
Total, excluding accrued interest		**463**	**6 037**	**3 758**	**10 258**

On January 29, 2007, Compagnie de Saint-Gobain reimbursed four bank loans that had reached maturity, for a total of €137 million. It also took out a new loan of €155 million maturing on January 29, 2013.

On April 11, 2007, Compagnie de Saint-Gobain issued €2.5 billion worth of bonds in two tranches: one representing €1.25 billion maturing on April 11, 2012, and one for €1.25 billion maturing on April 11, 2017.

On April 30, 2007, Compagnie de Saint-Gobain reimbursed a €45.7 million bank loan that had reached maturity.

On June 20, 2007, the Group redeemed a USD 500 million bond that had reached maturity.

During first-half 2007, Compagnie de Saint-Gobain reimbursed €2,500 million of its acquisition-related borrowings on the five-year tranche, bringing the balance at June 30, 2007, to €500 million.

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 Libor. These securities are not redeemable and the interest paid on them is included in financial expense.

At June 30, 2007, 18,496 perpetual bonds had been bought back and canceled. At that date, 6,504 perpetual bonds were outstanding, representing a total face value of €33 million.

Participating securities

In the 1980s, Compagnie de Saint-Gobain issued 1,288,299 TMO-indexed non-voting participating securities (indexed to average bond rates) 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 been repurchased in the market over the course of time. At June 30, 2007, there were 606,883 TMO-indexed securities outstanding and those indexed to Euribor (minimum) totaled 77,516, representing an aggregate face value of €170 million.

The interest paid on the 606,883 TMO-indexed securities comprises, subject to a cap of 125% of average bond yields, a fixed portion and a variable portion based on the Group's earnings. Interest paid on the 77,516 securities indexed to a minimum of Euribor, comprises (i) a fixed portion, applicable to 60% of the security, of 7.5% per year, 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 2007 came to €5.3 million, compared with €5 million in first-half 2006.

Financing programs

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

At June 30, 2007, these programs were as follows:

Programs *(in millions of currency)*	Currency	Drawdown period	Authorized ceiling at June 30, 2007	Drawdown at June 30, 2007	Drawdown at Deember 30, 2006
Medium Term Notes	EUR	1 to 30 years	5,000	3,462	968
US commercial paper	USD	up to 12 months	1,000 (*)	110	100
Euro commercial paper	USD	up to 12 months	1,000 (*)	0	0
Billets de Trésorerie	EUR	up to 12 months	3,000	939	145

(*) equivalent to €740 million based on the exchange rate at June 30, 2007.

The November 2006 and April 2007 bond issues (for GBP 600 million and €2,500 million respectively) were carried out within the scope of the MTN program.

In accordance with market practices, *Billets de Trésorerie*, Euro Commercial Paper and US Commercial Paper issues generally have a life 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, 2007.

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 every year):
    - 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 constraint covers three bilateral lines representing €290 million.
- default on bank borrowings in excess of certain ceilings.

None of these lines were drawn down during the period.

The Saint-Gobain Group obtained a further €9 billion syndicated line of credit in 2005 to fund 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, 2007, €500 million had been drawn down on the five-year loan and €600 million remained undrawn on the revolving credit line. Only the three-year loan has been repaid in full.

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 of above 3.5;
- default on bank borrowings in excess of €40 million.

Saint-Gobain complied with all of these covenants at June 30, 2007

The aggregate commitment fees for all of these facilities amounted to €1.2 million in the first half of 2007, compared with €2.7 million in first-half 2006.

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 US program concerned an amount of €407 million at June 30, 2007 (€414 million at December 31, 2006).

The difference between the face value of the sold receivables and the proceeds received is treated as a financial expense. In the first half of 2007, the expense recorded in the income statement came to €11.2 million (first-half 2006: €11.4 million).

The UK program concerned €238 million at June 30, 2007, unchanged from December 31, 2006. The total amount recorded as a financial expense in relation to this program came to €6.3 million in the first half of 2007 (first-half 2006: €4.7 million).

Collateral

At June 30, 2007, €34 million of Group debt was secured by various non-current assets (real estate and securities).

NOTE 15 – FINANCIAL INSTRUMENTS

Derivatives

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

(in € millions)	Fair value at June 30, 2007			Fair value at Dec. 31, 2006	Nominal value broken down by maturity at June 30, 2007			
	Total	Assets	Liabilities	Total	Within 1 year	1 to 5 years	Beyond 5 years	Total
Fair value hedges								
Interest rate swaps	(12)	0	(12)	1	263	0	155	**418**
Cash flow hedges								
Commodity swaps	(14)	5	(19)	(32)	169	32	0	**201**
Forward currency contracts	0	0	0	0	35	0	0	**35**
Currency options	0	0	0	0	1	0	0	**1**
Interest rate swaps	0	0	0	0	0	0	0	**0**
Derivatives not qualifying hedges								
Interest rate swaps	0	0	0	0	0	0	0	**0**
Cross-currency swaps	11	11	0	10	0	49	0	**49**
Currency swaps	(9)	4	(13)	(2)	1,560	0	0	**1,560**
Commodity swaps	0	0	0	0	0	0	0	**0**
Forward currency contracts	1	1	0	0	113	10	0	**123**
Currency options purchased	0	0	0	0	0	0	0	**0**
Currency options sold	0	0	0	0	0	0	0	**0**
Interest rate conversion options	0	0	0	0	0	0	0	**0**
Commodity options purchased	0	0	0	0	0	0	0	**0**
Commodity options sold	0	0	0	0	0	0	0	**0**
Total	**(23)**	**21**	**(44)**	**(23)**	**2,141**	**91**	**155**	**2,387**
of which derivatives linked to net debt	(10)			9				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 rates to be converted to variable rates.

- Cross-currency swaps

The Group uses cross-currency swaps in connection with the financing of its US subsidiaries. Under 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 as well as, 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 United Kingdom. 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 of financial instruments on equity

At June 30, 2007, the reserve recorded under equity relating to forward currency contracts, commodity, interest rate and currency swaps treated for accounting purposes as cash flow hedges totaled €0.3 million, a negative €13.9 million and zero respectively, compared with zero, a negative €32.1 million and zero respectively at December 31, 2006. These reserves are taken to the income statement when the hedged items affect net income.

Impact of financial instruments on the income statement

The fair value of derivatives which are classified under financial assets and liabilities at fair value through profit or loss amounted to €3 million at June 30, 2007, compared with €12 million at June 30, 2006.

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, 2007, 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, currency, and interest rate swaps) was 4.96% at June 30, 2007, compared with 4.70% at the end of 2006.

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 outstandings at (in %)	June 30, 2007	Dec. 31, 2006
Bond issues	5.00%	5.07%
Perpetual bonds and participating securities	5.97%	5.55%
Acquisition-related bank borrowings	4.57%	4.10%

The table below presents the breakdown by currency and by interest rate (fixed or variable) of the Group's net debt at June 30, 2007, after hedging by means of interest rate swaps, currency swaps and cross-currency swaps.

(in € millions)	**After hedging**		
Net debt in:	**Variable rate**	**Fixed rate**	**Total**
EUR	2,626	6,525	9,151
USD	629	96	725
GBP	363	887	1,250
SEK	259	4	263
NOK	195	0	195
Other currencies	31	215	246
Total	**4,103** **35%**	**7,727** **65%**	**11,830** **100%**
Fair value of related derivatives			**10**
Accrued interest			**167**
Total net debt			**12,007**

Revision schedule of interest rates applicable to financial assets and debt

The schedule at June 30, 2007, of revisions to the interest rates on gross debt and financial assets after hedging is presented below.

(in € millions)	**Total**	**Within 1 year**	**1 to 5 years**	**Between 5 years**
Gross debt	13,210	5,600	4,240	3,370
Impact of interest rate swaps	0	0	0	0
Cash and cash equivalents	(1,203)	(1,203)	0	0
Net debt after hedging	**12,007**	**4,397**	**4,240**	**3,370**

NOTE 16 – BUSINESS INCOME AND EXPENSE

(in € millions)	**First-half 2007**	**First-half 2006**
Net sales	**21,779**	**20,551**
Personnel costs		
Salaries and payroll taxes	(3,947)	(3,777)
Share-based payment (a)	(36)	(37)
Pensions	(136)	(123)
Depreciation and amortization	(764)	(759)
Other (b)	(14,803)	(14,040)
Operating income	**2,093**	**1,815**
Gains on disposals of assets (c)	252	141
Recognition of negative goodwill in the income statement	9	0
Other business income	**261**	**141**
Restructuring costs (d)	(75)	(87)
Provisions and expenses relating to claims and litigation (e)	(697)	(51)
Impairment of assets (f)	(258)	(128)
Other	(3)	(19)
Other business expense	**(1,033)**	**(285)**
Business income	**1,321**	**1,671**

(a) Including share-based compensation under the Group Savings Plan, amounting to €16 million in 2007 and €19 million in 2006. This expense is recognized in full at the end of the offer period (April 11 for 2007).

The interest rate applicable to employee share awards and used to determine the borrowing cost relating to the shares during the holding period is explained in Note 1. For the standard Group Savings Plan, this 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. For the leveraged Group Savings Plan, the rate is calculated to reflect the advantage accruing to employees benefiting from the same market conditions as the Group.
The forward sale price for the shares was determined using a valuation model based on market inputs.

The main assumptions used in the calculation are as follows:

	2006	**2007**
Grant date	January 27, 2006	February 23, 2007
Number of shares	5,399,291	4,981,609
Subscription price (in euros) – standard plan	40.84	58.05
Subscription price (in euros) – leveraged plan	-	61.68
Exchange rates at grant date (in euros)	53.90	73.59
Total discount in respect of the grant date (in euros) – standard plan	13.06	15.54
Total discount in respect of the grant date (in euros) – leveraged plan	-	11.91
Risk-free interest rate	2.93%	4.02%
Employee(s') financing rate	6.88%	7.36%
Borrowing cost during holding period (as a %) – standard plan	17.62%	15.24%
Borrowing cost during holding period (as a %) – leveraged plan	-	13.35%

(b) This item mainly relates to the costs of goods sold by the Distribution sector (€8,327 million in the first half of 2007 and €6,525 million in first-half 2006), as well as transport costs, the costs of raw materials and other production costs in the other sectors.
During first-half 2007, research and development costs recorded under operating expenses amounted to €194 million (€183 million for first-half 2006).

(c) Gains on disposals of assets totaled €252 million in first-half 2007, compared with €141 million in first-half 2006. The increase in this item primarily reflects the capital gain on the disposal of Saint-Gobain Desjonquères and its subsidiaries (see Note 2).

(d) Restructuring costs mainly consisted of employee termination benefits, representing €50 million in first-half 2007 (€60 million in first-half 2006).

(e) Provisions and expenses relating to claims and litigation in first-half 2007 and in the first half of 2006 primarily included the asbestos-related litigation charge and the provision for the non-competition claim explained in Notes 11 and 21.

(f) In first-half 2007, impairment losses taken on assets primarily included €56 million taken on goodwill (€109 million in first-half 2006), €33 million on property, plant and equipment (€19 million in first-half 2006), and €161 million on assets held for sale. The balance corresponds to impairment losses on intangible assets and financial and current assets.

NOTE 17 – OTHER FINANCIAL INCOME AND EXPENSE

(in € millions)	**First-half 2007**	**First-half 2006**
Interest cost relating to pensions	(221)	(158)
Return on plan assets	227	137
Interest cost relating to pensions - net	**6**	**(21)**
Other financial expense	(57)	(48)
Other financial income	14	8
Other financial income and expense	**(37)**	**(61)**

Net borrowing costs amount to €314 million for the first six months of 2007 (€313 million for the same period in 2006) and total interest paid and received came to €267 million (€260 million in first-half 2006).

Net translation losses recognized in cost of sales came to €1 million for the period compared with €4 million for the same prior-year period.

NOTE 18 – RECURRING NET INCOME

Recurring net income totaled €1,067 million in first-half 2007, compared with €813 million in the corresponding prior-year period. Based on the weighted average number of shares outstanding (364,639,299 at June 30, 2007 and 338,648,777 at June 30, 2006), earnings per share (EPS) amounted to €2.93 in first-half 2007 and to €2.40 in the corresponding prior-year period.

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

(in € millions)	**First-half 2007**	**First-half 2006**
Net income attributable to equity holders of the parent	**465**	**797**
Less:		
Gains on disposals of assets	252	141
Impairment of property, plant and equipment and intangible assets	(255)	(128)
Provision for non-competition claim	(650)	0
Tax impact	49	(29)
Impact of minority interests	2	0
Recurring net income	**1,067**	**813**

NOTE 19 – EARNINGS PER SHARE

The calculation of EPS is shown below.

(in € millions)	**Net income attributable to equity holders of the parent**	**Cancellation of Océane interest charges**	**Restatement of the tax impact**	**Net income attributable to equity holders of the parent**	**Number of shares**	**Earnings per share (in €)**
First-half 2007						
Weighted average number of shares in issue	465			**465**	364,639,299	**1.28**
Weighted average number of shares assuming full dilution	465			**465**	372,047,342	**1.25**
First-half 2006						
Weighted average number of shares in issue	797			**797**	338,648,777	**2.35**
Weighted average number of shares assuming full dilution	797	23	(8)	**812**	360,923,576	**2.25**

The weighted average number of shares in issue is calculated by deducting treasury stock (4,592,407 shares at June 30, 2007) 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 7,408,043 at June 30, 2007.

NOTE 20 – COMMITMENTS

The main movements between December 31, 2006 and June 30, 2007 are as follows:

- **Obligations under finance leases**

In first-half 2007, minimum future lease payments due under finance leases decreased by €43 million, of which €27 million was attributable to the Building Distribution sector.

- **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.

Commitments under operating leases increased by €313 million, including €214 million in respect of land and buildings and €64 million in respect of vehicles. The increase relating to land and buildings stems mainly from the Building Distribution sector, with €129 million in acquisitions and €100 million in new contracts in the six months to June 30, 2007.

- **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.

In first-half 2007, non-cancelable purchase commitments decreased by €70 million.

- **Commercial commitments**

Guarantees received increased by €26 million, and represented a total of €68 million at June 30, 2007, compared with €42 million at December 31, 2006.

NOTE 21 – LITIGATION

In France, further individual lawsuits were filed in the first half of 2007 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. A total of 611 such lawsuits have been issued against the two companies since 1997.

At June 30, 2007, 458 of these 611 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 153 lawsuits outstanding against Everite and Saint-Gobain PAM at June 30, 2007, the merits of 50 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 103 remaining lawsuits, 20 have been dismissed following a claim made to the French Asbestos Victims Compensation Fund (FIVA). At June 30, 2007, the procedures relating to the merits of the other 78 cases were at different stages: 11 are involved in administrative proceedings with the French Social Security authorities, 54 are pending with the Social Security courts, appeals have been issued to the Court of Appeal in 8 cases, 5 have been referred to the Versailles Court of Appeal following a hearing by the Court of Cassation, and rulings have been issued in 8 cases by the Versailles Court of Appeal, with the Social Security authorities in the process of reimbursing Everite.

In addition, 97 suits based on inexcusable fault had been filed by current or former employees of 13 other French companies in the Group, in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.

At June 30, 2007, 6 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 directly issued suits or taken over proceedings in 5 cases where it had already paid compensation to the employee or former employee concerned.

At that date, 63 lawsuits were completed, of which 14 rulings held the employer liable for inexcusable fault. However, these did not have any financial impact on the companies concerned.

For the 34 suits outstanding at June 30, 2007, 2 were in the investigation stage by the French Social Security authorities, 11 were pending before the Social Security courts and 9 before the Courts of Appeal, and 6 cases have 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 Certain Teed in the United States in the first half of 2007 came to approximately 4,000. On a rolling 12 month basis, new claims remained stable at end-June 2007 and end-December 2006, at 7,000 and had decreased against end June 2006 (11,000).

Some 75,000 claims were outstanding at June 30, 2007, a slight decrease versus December 31, 2006 and December 31, 2005, when the number of claims outstanding represented 76,000 and 100,000 respectively.

Some 5,000 claims were settled out of court in the first six months of 2007. At June 30, 2007, the average individual cost of formal settlements reached during the previous twelve months (including those in the process of formal settlement) came to around USD3,500 per claim, up on the figures at December 31, 2006 and June 30, 2006 (USD 3,000 and USD 2,200 respectively). This trend reflects mainly the significant fall in the number of mass actions as a proportion of total claims since 2004.

An additional estimated provision of €47.5 million – half of the amount booked for full-year 2006 – was recorded in the consolidated financial statements at June 30, 2007 in relation to these claims. As has been the case each year since 2002, a precise assessment of the provision required will be performed at the year end.

Compensation paid in respect of these claims against CertainTeed (including claims settled prior to June 30, 2006 but only paid out over the last 12 months, and those fully resolved and paid over the last 12 months) and compensation paid (net of insurance) by the Group's other businesses in the United States in connection with asbestos-related litigation amounted to €59 million (USD 78 million), compared with €67 million (USD 84 million) in 2006.

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, 2007 and they do not represent a material risk for the companies concerned.

Statements of Objections served by the European Commission on 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 (glass for the construction industry) 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.

Based on the arguments set forth, the Group decided to set aside a total provision of €650 million in its accounts at June 30, 2007.

NOTE 22 – SEGMENT REPORTING

Segment information by sector and division

Segment information is presented as follows:

- Flat Glass sector
- High-Performance Materials (HPM) sector
    - ➢ Ceramics & Plastics and Abrasives
    - ➢ Reinforcements
- Construction Products (CP) sector
    - ➢ Interior Solutions: Insulation and Gypsum
    - ➢ Exterior Solutions: Building Materials and Pipe
- 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 2007		Ceramics & Plastics and Abrasives	Reinforcements	Items eliminated HPM	Total	Interior Solutions	Exterior Solutions	Items eliminated CP	Total				
External sales	2,780	1,801	626		2,427	3,066	2,114		5,180	9,521	1,869	2	21,779
Internal sales	17	24	41	(6)	59	327	153	(16)	464	1	2	(543)	0
Net sales	2,797	1,825	667	(6)	2,486	3,393	2,267	(16)	5,644	9,522	1,871	(541)	21,779
Operating income/(expense)	366	255	45		300	541	198		739	494	212	(18)	2,093
Business income/(loss)	(328)	233	(190)		43	540	187		727	494	462	(77)	1,321
Share in net income/(loss) of associates	0	2	1		3	4	0		4	1	0		8
Depreciation and amortization	172	73	50		123	154	71		225	131	106	7	764
Impairment of assets	14	3	218		221	0	8		8	0	(3)	1	241
Investments during the period:													
- capital expenditure	166	57	16		73	231	71		302	152	125	10	828
- securities (net of cash acquired)	6	20	(6)		14	52	1		53	195	(1)		267
Cash flows from operations	347	206	98		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.

(in € millions)	FLAT GLASS	HIGH-PERFORMANCE MATERIALS				PRODUITS POUR LA CONSTRUCTION				BUILDING DISTRIBUTION	PACKAGING	Other*	**Total**
First-half 2006		Ceramics & Plastics and Abrasives	Reinforcements	Items eliminated HPM	Total	Interior Solutions	Exterior Solutions	Items eliminated CP	Total				
External sales	2,482	1,809	671		2,480	2,906	2,154		5,060	8,401	2,126	2	20,551
Internal sales	16	24	47	(7)	64	278	134	(12)	400		3	(483)	0
Net sales	2,498	1,833	718	(7)	2,544	3,184	2,288	(12)	5,460	8,401	2,129	(481)	20,551
Operating income/(expense)	228	253	23		276	503	201		704	418	205	(16)	1,815
Business income/(expense)	216	220	12		232	498	166		664	411	229	(81)	1,671
Share in net income/(loss) of associates	(6)	(1)	1		0	3	0		3	1			(2)
Depreciation and amortization	165	73	54		127	142	74		216	121	124	6	759
Impairment of assets	2	9	6		15	0	11		11		91	9	128
Investments during the period:													
- capital expenditure	166	61	15		76	250	56		306	140	119	10	817
- securities (net of cash acquired)	3	(1)	2		1	4	(8)		(4)	245	(8)	(1)	236
Cash flows from operations	261	167	44		211	369	183		552	310	225	84	1,643

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

The information relating to the Interior and Exterior Solutions businesses of the Construction Products sector was calculated respectively for first-half 2006 for the purposes of comparison with first-half 2007.

Information by geographic area

(in € millions)	**France**	**Other western European Countries**	**North America**	**Emerging countries and Asia**	**Internal sales**	**Total**
At June 30, 2007						
Net sales	6,706	9,920	2,981	3,289	(1,117)	**21,779**
Capital expenditure	172	260	161	235		**828**

(in € millions)	**France**	**Other western European Countries**	**North America**	**Emerging countries and Asia**	**Internal sales**	**Total**
At June 30, 2006						
Net sales	6,357	8,887	3,634	2,762	(1,089)	**20,551**
Capital expenditure	153	311	112	241		**817**

NOTE 23 – PRINCIPAL FULLY CONSOLIDATED COMPANIES

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

Principal fully consolidated companies at June 30, 2007		% interest (held directly and indirectly)
BUILDING DISTRIBUTION SECTOR		
Distribution Sanitaire Chauffage	France	100.00%
Lapeyre	France	100.00%
Point.P	France	100.00%
Raab Karcher GmbH	Germany	100.00%
Saint-Gobain Building Distribution Ltd	United Kingdom	99.97%
Saint-Gobain Distribution the Netherlands BV	Netherlands	100.00%
Dahl International AB	Sweden	100.00%
Optimera Gruppen AS	Norway	100.00%
Sanitas Troesch	Switzerland	100.00%
HIGH-PERFORMANCE MATERIALS SECTOR		
CERAMICS & PLASTICS AND ABRASIVES		
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%
REINFORCEMENTS		
Saint-Gobain Vertex SRO	Czech Republic	100.00%

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	99.76%
Saint-Gobain Sekurit Benelux SA	Belgium	99.91%
Saint-Gobain Autover Distribution SA	Belgium	99.91%
Koninklijke Saint-Gobain Glass	Netherlands	99.76%
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	90.15%
Saint-Gobain Glass India	India	97.80%

PACKAGING SECTOR

Saint-Gobain Emballage	France	100.00%
Saint-Gobain Oberland AG	Germany	96.67%
Saint-Gobain Vicasa SA	Spain	99.63%
Saint-Gobain Containers Inc.	United States	100.00%
Saint-Gobain Vetri SpA	Italy	99.99%

CONSTRUCTION PRODUCTS SECTOR

BUILDING MATERIALS

Saint-Gobain Weber	France	99.99%
CertainTeed Corporation	United States	100.00%
Brasilit	Brazil	100.00%
Saint-Gobain Quartzolit Ltda	Brazil	100.00%
Saint-Gobain Weber Cemarksa SA	Spain	99.99%

INSULATION

Saint-Gobain Isover	France	100.00%
Saint-Gobain Isover G+H AG	Germany	99.90%
CertainTeed Corporation	United States	100.00%
Saint-Gobain Ecophon Group	Sweden	99.98%
Saint-Gobain Isover Yegorievsk Ooo	Russia	99.98%

GYPSUM

BPB Plc	United Kingdom	100.00%
Certain Teed Gypsum & Ceilings USA	United States	100.00%
Certain Teed Gypsum Canada Inc.	Canada	100.00%
BPB Gypsum (Pty) Ltd	South Africa	100.00%
Certain Teed 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%

PIPE

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%

NOTE 24 – SUBSEQUENT EVENTS

As described in Note 2, Saint-Gobain now envisages selling its Reinforcements and Composites business to Owens Corning, rather than combining the two businesses into a joint venture as originally planned.

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COMPAGNIE DE SAINT-GOBAIN

STATUTORY AUDITORS' REVIEW REPORT ON THE 2007 INTERIM FINANCIAL INFORMATION

The Statutory Auditors

PricewaterhouseCoopers Audit	**KPMG Audit**
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STATUTORY AUDITORS' REVIEW REPORT ON THE 2007 INTERIM FINANCIAL STATEMENTS

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Compagnie de Saint-Gobain
Les Miroirs
18, avenue d'Alsace
92400 Courbevoie

To the Shareholders,

In our capacity as Statutory Auditors and in accordance with the requirements of article L.232-7 of the French Commercial Code (*Code de commerce*), we hereby report to you on:
- the review of the accompanying condensed interim consolidated financial statements of Compagnie de Saint-Gobain for the six months ended June 30, 2007;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and any other appropriate review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with IAS 34 – "Interim Financial Reporting", as adopted by the European Union.

In accordance with professional standards applicable in France, we have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and its consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, July 26, 2007

The Statutory Auditors

PricewaterhouseCoopers Audit		KPMG Audit *Division of KPMG S.A.*	
Pierre Coll	Rémi Didier	Jean Gatinaud	Jean-Paul Vellutini