

LETTER TO Shareholders

No. 55
MARCH 2010

2009 RESULTS P. 2

Key consolidated figures	2
2009 action plan	2
Results by Business Sector	3

FEATURE P. 4

QUANTUM GLASS™, the emotion of active glass



NEWS ROUND-UP P. 6

Latest news	6
Solarwood Technologies	7
 Saint-Gobain invests in glass processing	7

SHAREHOLDER'S NOTEBOOK P. 8

"The Group is targeting strong growth in operating income for 2010 (at constant exchange rates)."

Dear Shareholders,

Against the backdrop of an unprecedented economic and financial crisis, trading for the Group was sluggish throughout 2009 in most of its businesses and geographic areas. However, there was an improvement over the second half of the year compared with the first half, in terms of both like-for-like growth and profitability. The Group therefore considers that business bottomed out overall in 2009.

Nevertheless, the global economic climate remained very challenging in the second half of the year. Only Asian and Latin American countries saw a significant pick-up in trading between the first and second six months of the year (around 20%), and have now put the crisis behind them.

The Group as a whole reported a 13.2% decline in like-for-like sales for 2009 (-15.5% in the first half and -10.8% in the second).

Against this backdrop, the Group resolutely implemented its action plan, which was stepped up in the second half of the year. Saint-Gobain continued to give clear operating priority to sales prices, while pressing ahead with and extending its cost cutting program.

As a result, €1.1 billion in additional cost savings were unlocked over the year compared with 2008.

From a financial standpoint, the Group continued to optimize cash flow generation, by generating over €1 billion in free cash flow, maintaining a tight rein on working capital requirements (down €1.4 billion), and slashing capital expenditure.

Thanks to these measures, the Group delivered second-half operating income and recurring net income significantly above first-half figures (up 38% and 94%, respectively) and has paid down €3.1 billion in net debt, well ahead of the targets it had set itself.

After a particularly tough year in 2009, the Group expects the economic environment to prove somewhat better overall in 2010, but with contrasting trends across each region.

The Group will thus continue to react and adapt to developments in its markets in 2010, and will pursue its 2009 action plan priorities with a highly selective approach. It will continue to give priority to sales prices and implement cost cutting measures, targeting an additional €600 million in cost savings in 2010. The Group's strategy will continue to focus on energy efficiency for the habitat market. Thanks to Saint-Gobain's robust financial structure, it will be ideally placed to leverage any growth opportunities, buoyed by a highly selective and tempered investment policy anchored around emerging countries, energy efficiency and solar power.

Drawing on these assets to build even stronger positions on each of our markets, we draw your attention once again to the Group's robustness and take this opportunity to thank you for your trust and your loyalty.

Pierre-André de Chalendar

Jean-Louis Beffa



Pierre-André de Chalendar
Director,
Chief Executive Officer



Jean-Louis Beffa
Chairman of the Board
of Directors

■ Jean-Louis Beffa's term as Chairman of the Board of Directors expires at the close of the June 3 Annual General Meeting, in application of the age limit stipulated in the Company's bylaws. The Board of Directors has unanimously agreed that the positions of Chairman and Chief Executive Officer should once again be combined, and therefore intends to appoint Pierre-André de Chalendar as Chairman and Chief Executive Officer of Saint-Gobain, on condition that his term of office as director is renewed by the shareholders.

2009 Results

Sales

€37.8 bn

Operating income

€2.2 bn

Recurring net income*

€617 m

Dividend**

€1 per share

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

** Amount to be recommended to the Annual General Meeting.

Key consolidated data

	2008 € millions	2009 € millions	% change
Sales and ancillary revenue	43,800	37,786	-13.7%
Operating income	3,649	2,216	-39.3%
Business income	2,814	1,240	-55.9%
Recurring ¹ net income	1,914	617	-67.8%
Recurring ¹ earnings per share ² (in €)	5.00	1.20	-76.0%
Earnings per share ² (in €)	3.60	0.39	-89.2%
Cash flow from operations ³	3,524	2,303	-34.6%
Cash flow from operations excluding capital gains tax ⁴	3,487	2,268	-35.0%
Capital expenditure	2,149	1,249	-41.9%
Free cash flow (excluding capital gains tax) ⁴	1,338	1,019	-23.8%
Investments in securities	2,358	204	-91.3%
Net debt	11,679	8,554	-26.8%

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

2 - Calculated based on the number of shares outstanding at December 31 (512,931,016 shares in 2009 versus 382,571,985 in 2008). Based on the weighted average number of shares outstanding (473,244,410 shares in 2009 versus 374,998,085 in 2008), recurring earnings per share comes out at €1.30 (versus €5.10 in 2008), and earnings per share comes out at €0.43 (versus €3.67 in 2008).

3 - Excluding material non-recurring provisions.

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

• **Sales** declined 13.7%. The positive 0.9% impact of changes in the scope of consolidation was offset by a negative 1.4% currency impact, chiefly reflecting a decline in the pound sterling and Brazilian real against the euro. **Like-for-like (comparable Group structure and exchange rates)**, consolidated sales fell 13.2%; sales volumes retreated 14.0%, while prices remained upbeat, gaining 0.8%.

• **Operating income** shed 39.3%. The Group's operating margin came in at 5.9% of sales (8.4% excluding Building Distribution), versus 8.3% (11.0% excluding Building Distribution) in 2008.

In line with the target set by the Group, second-half operating income outperformed operating income for the six months to June 30, 2009, up by 38% to €1,286 million from €930 million. This essentially reflects the impact of cost savings achieved.

As a result, the second-half operating margin was up significantly on the margin for the first six months of 2009 (6.7% versus 5.0%), but remained slightly down on the margin for second-half 2008 (6.7% versus 7.6%).

• **Recurring net income** (excluding capital gains and losses, exceptional asset write-downs and material non-recurring provisions) shed 67.8% year-on-year to €617 million. Based on the number of shares outstanding at December 31, 2009 (512,931,016 shares versus 382,571,985 shares at December 31, 2008), recurring earnings per share came out at €1.20, down 76.0% on 2008 (€5.00). Recurring net income almost doubled in the second half of the year compared with the first, up 94% to €407 million from €210 million, comfortably meeting the target set by the Group (second-half recurring net income to outperform recurring net income for the first half).

2009 action plan: ahead of targets

Against the backdrop of an unprecedented economic crisis, the Group resolutely implemented its action plan, which was stepped up in the second half of the year:

- Priority given to sales prices despite the downward trend in inflation: prices up 0.8% over the year.
- Cost cutting program extended: €1.1 billion in cost savings for the year.
- Second-half operating income and recurring net income well ahead of first-half figures: up 38% (€1,286 m versus €930 m) and 94% (€407 m versus €210 m), respectively.
- Strong cash-generating ability: free cash flow⁽¹⁾ for the year above €1 billion, and working capital requirements (WCR) reduced by €1.4 billion.
- Capital expenditure slashed: down €900 m (-42%) and acquisitions scaled back, down to €204 m (-91%).
- Balance sheet strengthened: €3.1 billion in net debt paid down (reflecting the Group's efforts as well as the successful €1.5 billion right issue and the payment of 65% of the 2008 dividend in stock) and gearing ratio cut to 53% of equity.

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

2009 dividend unchanged at €1 per share

At its meeting of February 25, Compagnie de Saint-Gobain's Board of Directors decided to recommend to the June 3, 2010 Shareholders' Meeting the same dividend amount as in 2009, i.e. **€1 per share, payable in cash or in shares*** at shareholders' discretion. The dividend represents **83% of recurring EPS and 256% of EPS, and a net dividend yield of 2.6%** based on the closing share price at December 31, 2009. The record date set for June 8 will be followed by a take-up period of 15 days between June 9 and June 23. The dividend will therefore be paid in cash or in shares on July 2, 2010.

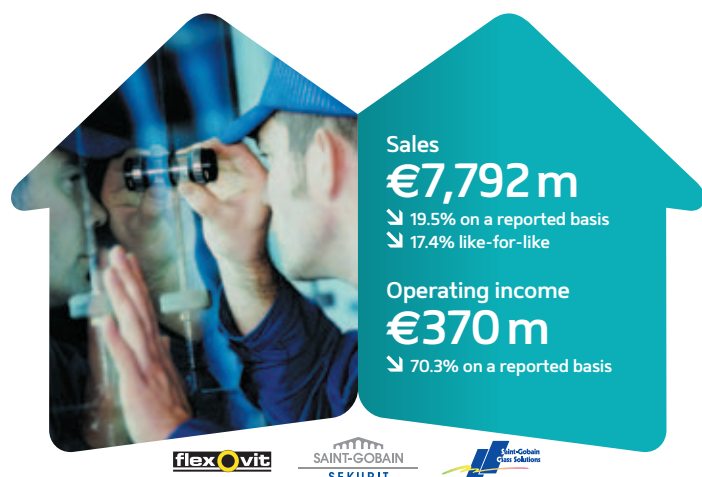
* regarding stock dividends, Compagnie de Saint-Gobain's Board of Directors will recommend that the Shareholders' Meeting set the issue price for any new shares by applying a 10% discount to the average opening share price over the 20 trading days preceding the Shareholders' Meeting of June 3, 2010, less the amount of the dividend.

2010 target: strong growth in operating income

at constant exchange rates*

* 2009 exchange rates.

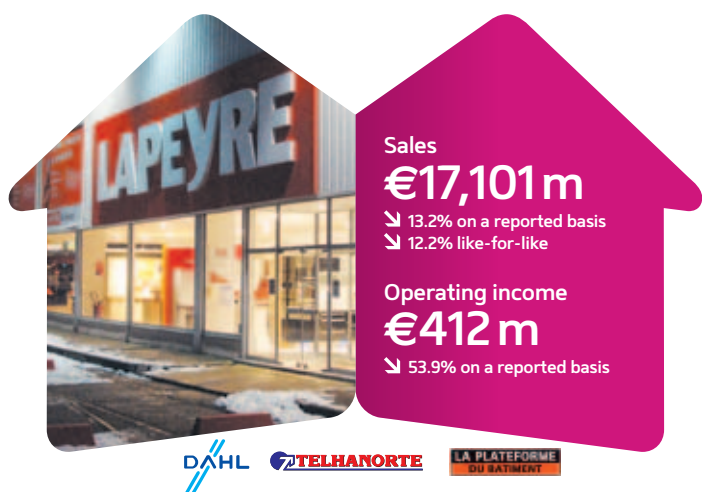
2009 results by Business Sector (comments based on like-for-like figures)



After being the hardest hit by the economic crisis in the first half of 2009, **Innovative Materials** staged the strongest recovery in the second half of the year, in terms of both sales and profitability, **lifting the sector's operating margin from 2.7% in the first half to 6.7% in the following six months.**



Trading in the **Construction Products** stabilized over the second half of 2009 compared with the first half, both for the sector as a whole and for each of its businesses. The restructuring measures carried out and a positive price impact in Exterior Solutions throughout the year **pushed the sector's operating margin up to 9.5% in 2009 from 8.9%, with the increase gathering pace in the second half of the year (9.9% versus 9.1% in the six months to June 30).**



Building Distribution also saw a slight improvement in trading in the second half of the year compared with the first, with sales declining only 9.9% after 14.5% in the first half. Upbeat sales margins and especially the restructuring measures carried out helped drive a **significant improvement in the sector's operating margin, up to 3.4% in the second half of the year from 1.4% in the first half.**



Packaging continued to turn in a solid performance despite the crisis, with sales and operating income for the year virtually unchanged from 2008. However, its like-for-like trading slipped 3.8%, as the positive momentum in sales prices failed to fully offset the decline in sales volumes in Europe. **The operating margin for the sector improved slightly on 2008, up to 12.7% compared with 12.5% previously.**

Update on asbestos claims in the US

Some 4,000 claims were filed against CertainTeed in 2009, compared with 5,000 in 2008. Over the year, 8,000 claims were settled (as in 2008), bringing the total number of outstanding claims to **64,000** at December 31, 2009, versus 68,000 at December 31, 2008. A total of USD 77 million in indemnity payments were made over the 12 months to December 31, 2009, versus USD 71 million in the year to December 31, 2008.

In light of these trends, an additional provision of €75 million was recorded in 2009 (the same euro amount as in 2008), bringing the coverage for CertainTeed's asbestos-related claims to around USD 500 million at December 31, 2009 versus USD 502 million at December 31, 2008.



Details of the consolidated financial statements are available on the Group's website (www.saint-gobain.com) or on request from Shareholder Relations Department. (see contact details on the back page).



QUANTUM GLASS™, the emotion of active glass

Tomorrow's world will be **made of active glass:** glass with optical, thermal and physical properties that can be modified and controlled.

QUANTUM GLASS™, a new umbrella brand from Saint-Gobain Glass Solutions, can already meet these needs, using its first six highly **innovative and energy-efficient technologies.**

a new brand from Saint-Gobain Glass Solutions, is designed to meet these imperatives thanks to pioneering and environmentally-friendly active glass solutions.

Nowadays, designers, architects and project sponsors must be able to satisfy the needs of the general public, creating aesthetically pleasing buildings offering energy efficiency and user comfort. QUANTUM GLASS™,

Active glass is defined as having optical, thermal and physical properties that can be modified and controlled using an electrical current. Six initial named technologies (PLANILUM, ELECTROCHROME, THERMOVIT, E-GLAS, LEDinGLASS and PRIVA-LITE) have been harnessed to form the QUANTUM GLASS™ offering.

LEDinGLASS

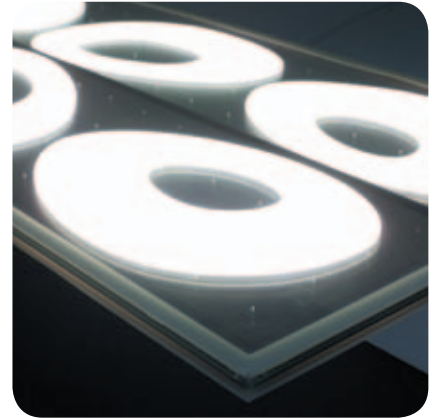
Glass panels and tiles which glow with a vibrant, chromatic light and create an interactive personalized experience.

**THERMOVIT**

Standard or designed-to-order thermo-regulated glass panels that free up interior space.

**PLANILUM**

Standard or designed-to-order light-emitting glass panels that glow with pure, direct sensual light.

**PRIVA-LITE**

Laminated glass panels that morph from transparent to translucent while still transmitting light. An original way of structuring space and communicating with projected images.

**ELECTROCHROME**

Transparent glazing that shifts from clear to dark blue depending on ambient sunshine, season or atmosphere, to provide actively regulated comfort, reduce energy consumption and eliminate blinds or curtains, preserving a project's design integrity.

**E-GLAS**

Insulating glazing with an invisible system for radiant heating: the modern, cost-efficient way to prevent condensation, add both warmth and natural light to interior spaces, or instantly melt snow on glass roofs.

Mastering complex technology

Targeting the upscale architecture and design industries, this range is already available in Europe and will soon be rolled out in the Middle East, Asia and South America.

"Active glass technology is complex to install", says Thomas Bertin-Mouro, Marketing Director of Saint-Gobain Glass Solutions and Director of QUANTUM GLASS™. "It's very important that we oversee the entire supply chain, and have con-

trol over the process from initial design through to turnkey delivery to our end customers."

A very precise organizational structure has been developed covering design by R&D through to the installation of the glass system and its electronic components at the end customer's premises.

Distributors and installation contractors will be given special training leading to their QUANTUM GLASS™ certification. A training center has in fact been set

up specifically for this purpose. All major accounts are managed directly by the QUANTUM GLASS™ sales and marketing team.

Discover designers and architects' projects

QUANTUM GLASS™ was officially unveiled on November 5, 2009 at the inauguration of its Parisian showroom, A GLASS HOUSE.

Located in the former Espace Claude Berri (designed by Jean Nouvel) in the

heart of Paris' Marais district and close to major architect and design firms, A GLASS HOUSE offers a unique opportunity to discover and test the glazing solutions of QUANTUM GLASS™. A "screen of emotions" presents the first six technologies in the range, while an "experimentation area" allows visitors to come to grips with these technologies interactively through videos and key project presentations. Editor creations are also on display. The venue is open to architects and customers, and will be used as a meeting place and training venue for the brand's network and Saint-Gobain Glass Solutions employees.



When next in Paris, why not try the GLASS HOUSE experience for yourself?

4, passage Sainte-Avoye
Access via 8, rue Rambuteau
75003 Paris

Monday-Friday:
9:00am – 12:30pm/
1:30pm-6:00pm, by appointment.

For more information:
www.quantumglass.com

3 questions for...

Thomas Bertin-Mouroit

Marketing Director
of Saint-Gobain Glass
Solutions and Director
of QUANTUM GLASS™



How did the QUANTUM GLASS™ brand project come about?

Saint-Gobain has developed active glass technologies for marine and automotive applications, among others. We naturally asked ourselves how we could apply these same technologies to habitat markets. Highly selective in terms of their application and cost price, the products are currently suitable for upscale architecture and design projects.

Where did the name QUANTUM GLASS™ come from?

A quantum is the smallest unit of energy, or quantity of movement or mass. In this way, we are referring to the movement of electrons in active glazing when very low wattage power is passed through the glass to modify its optical or thermal properties. The word "quantum", pronounced the same in all languages, has a futurist, even avant-garde ring to it. And the letter Q is the symbol used by architects for dimmer switches.

What other technology might be incorporated into QUANTUM GLASS™?

The six named technologies of QUANTUM GLASS™ use variable heating, lighting and light transmission functions. Why not imagine air purification or cooling glass, for example? But we don't even need to go that far: some of the existing technologies could be combined, for example E-GLAS with ELECTROCHROME.

LATEST NEWS

BLUTOP NOW
UNDER THE
CHAMPS-ÉLYSÉES

The city of Paris has selected Blutop, the new range of Saint-Gobain PAM drinking water pipes for the renovation of the fire network of the Petit Palais exhibition center and the gastronomic Ledoyen restaurant on the famous Avenue des Champs-Élysées. The difficult task of laying pipes in the narrow galleries under the roadway was made

easier by the pipes' light weight and ease of handling, combined with the ergonomic fittings and accessories. This project is the first reference for Blutop in the French capital, where the water distribution network is 95% comprised of iron pipes laid in the early 19th century and for which renovation is only just now being undertaken.

LAPEYRE
ON THE AIR

Lapeyre has launched a new radio advertising campaign based on the slogan "cost savings at any price". Using the musical jingle "There's only one Lapeyre" (in French, "Lapeyre, y'en a pas deux") and the well-known French comedian Elie Semoun as spokesperson, the campaign will allow Lapeyre to become the leading DIY advertiser on the radio.

The campaign includes a total of 8,000 individual advertising slots spread throughout the year, reaching an audience of almost 24 million listeners. This major campaign is also supported by a website set up especially for the occasion (www.lactulapeyre.fr), and featuring, for example, details of sales campaigns, flagship products and services offered by the banner.

Saint-Gobain acquires PV roof tile manufacturer, **Solarwood Technologies**

Building on the 30% equity stake already held in its industrial partner, Solarwood Technologies, the Saint-Gobain Group has just acquired the remaining 70% of shares.

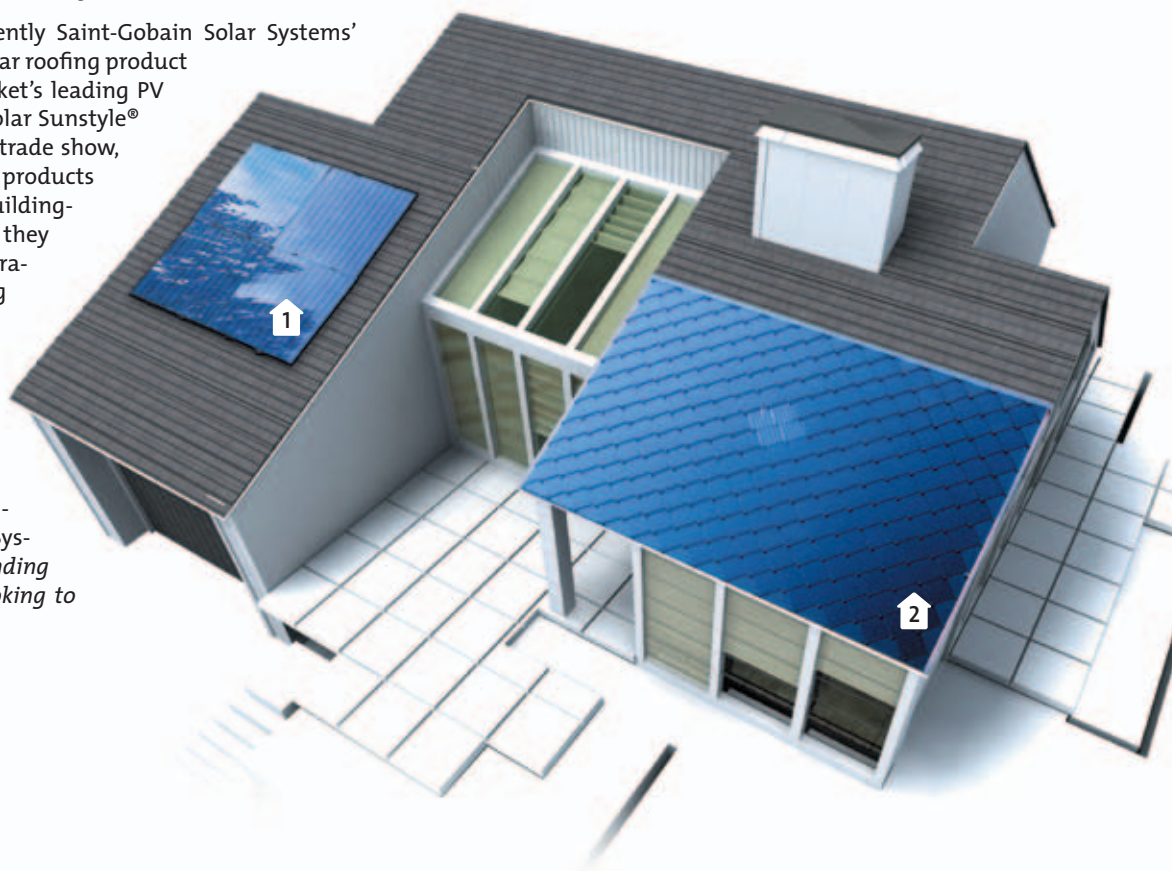
With its 60-strong team, Solarwood Technologies manufactures PV roof tiles at its Foetz facility in Luxembourg. This plant has an annual capacity of 15MW, equivalent to the annual energy requirements of 5,000 individual homes. To support the sales growth of Saint-Gobain Solar Systems in Europe, and France in particular, its production capacity will be increased to 30MW.

Solarwood Technologies is currently Saint-Gobain Solar Systems' main PV roof tiles supplier. Its solar roofing product portfolio boasts the French market's leading PV tiles: SG Solar Sunlap® and SG Solar Sunstyle® (recent prizewinner at the Paris trade show, Batimat). Easy to mount, these products offer exceptional style and building-integrated quality. Not only do they meet all current building-integration criteria in France, entitling owners to the highest electricity buy-back rates, but they shall continue to do so when tighter legislation measures come into force from 2011.

As Benoît Richard, Managing Director of Saint-Gobain Solar Systems, points out: "We're expanding fast in France right now and looking to

build another PV tile plant on a second site currently under selection, which should be up and running in the second half of 2010".

Solarwood Technologies also markets PV systems in Luxembourg, Belgium, the Netherlands and Germany, providing Saint-Gobain Solar Systems with a solid platform for growth in these countries.



1 SG Solar Sunlap®

2 SG Solar Sunstyle®



SAINT-GOBAIN AND SUSTAINABLE DEVELOPMENT **Saint-Gobain invests in glass processing**

Saint-Gobain Containers (Packaging in the US) has set itself the goal of using 50% recycled glass to manufacture its bottles and jars by 2013. The use of cullet in glass furnaces helps reduce energy consumption and the extraction of raw materials.

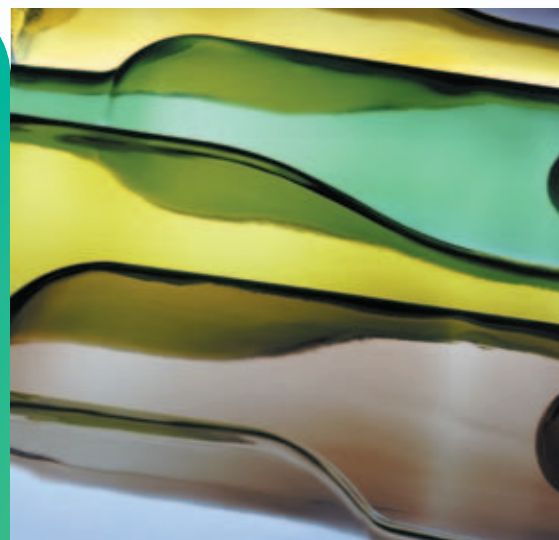
Saint-Gobain Containers has joined forces with the recycled glass supplier Cullet to install an industrial glass-processing unit at its US facility in Seattle. The impurities

are removed from the glass collected, which is then sorted by color.

Saint-Gobain Containers is one of the first glass container manufacturers in the United States to install a glass-processing unit at one of its plants.

In 2008, the company avoided about 300,000 cubic meters of glass from being landfilled.

For more information, see www.sgcontainers.com



Dates for your diary

UPCOMING SHAREHOLDER MEETINGS

- **March 22**, Marseille
with Laurent Guillot, Chief Financial Officer
- **April 27**, Strasbourg
with Laurent Guillot, Chief Financial Officer
- **May 6**, Rouen
with Florence Triou-Teixeira, Head of Investor Relations
- **June 9**, Nancy
with Pierre-André de Chalendar, Chief Executive Officer

ANNUAL GENERAL MEETING

- **3:00pm on June 3, 2010**
Palais des Congrès (Porte Maillot), Paris

UPCOMING RESULTS PUBLICATIONS

- **First-quarter 2010 sales**
April 22, after close of trading on the Paris Bourse
- **Final results for first-half 2010**
July 29, after close of trading on the Paris Bourse

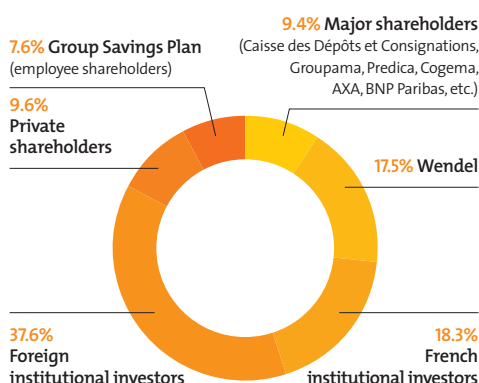
DIVIDEND

- **Record date:** June 8
- **Take-up period:** June 9 - June 23
- **Payment:** July 2

TOTAL NUMBER OF SHARES AT DECEMBER 31, 2009

512,931,016

OWNERSHIP STRUCTURE AT DECEMBER 31, 2009 (%)



Saint-Gobain share price

SHARE PERFORMANCE 2004-2010

Saint-Gobain share price* in euros, indexes at January 1, 2004

Since the beginning of 2010, the Paris stock market has lost ground, affected by uncertainties regarding the short-term economic outlook. Like other stocks linked to the construction industry, the Saint-Gobain share price has mirrored this downtrend. However on February 26, the day after it published its results for 2009, the Saint-Gobain share gained 7.9%, to close at €34.520, marking the biggest rise in the CAC 40. Markets welcomed the Group's better-than-expected results and its target of strong growth in operating income for 2010.

Performance over the period: Saint-Gobain: -2.1% CAC 40: +4.2%



(1) Saint-Gobain share price
DJ EURO STOXX 50
CAC 40
DJ EURO STOXX 50 Construction

* Data adjusted for the impact of the February 2009 rights issue.



High:
€76.986⁽¹⁾
July 12, 2007

€34.520⁽¹⁾
February 26, 2010

Low:
€17.485⁽¹⁾
February 26, 2009



RECENT PERFORMANCE OF THE SAINT-GOBAIN SHARE

Recent performance
at February 26, 2010
(€34,520) in %

	Saint-Gobain share price	CAC 40	DJ Euro Stoxx 50	DJ Euro Stoxx 50 Construction
Trailing 12 months	+97.4%	+35.1%	+34.8%	+42.2%
Trailing 6 months	+8.1%	+1.1%	-2.3%	-5.1%
Trailing 3 months	-3.6%	+0.8%	-2.7%	-3.6%
Trailing month	-1.5%	-2.6%	-3.7%	-8.3%

Your contacts

Saint-Gobain's Shareholder Relations Department will be pleased to answer any enquiries. You may contact them:

- **By dialing** (toll-free number in France)

N° Vert 0 800 32 33 33

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