

LETTER TO Shareholders

No. 58

NOVEMBER 2010

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Three questions to Pierre-André de Chalendar

Chairman and Chief Executive Officer of Saint-Gobain

On October 13, you announced plans to float the Packaging Sector on the stock exchange. Why have you opted for a minority IPO for this operation?

As early as 2007, I clearly stated that the Packaging Sector was out of step with the Group's strategic focus on the habitat and construction markets. However, over the last three years conditions on debt and equity markets have been very difficult and remain fragile. Packaging was among the businesses that proved most resilient during the crisis, pointing to its industrial and financial robustness.

The decision that we have taken and that we are now discussing with employee representative bodies is a minority IPO which offers us an excellent opportunity to realize the true worth of the business. Given the timeframe imposed by applicable legislation, the IPO will not be carried out before the second quarter of 2011.

What do you intend to do with the proceeds from this partial IPO?

The IPO will give us additional financial room for manoeuvre allowing us to ramp up our external growth strategy and thereby pursue our development in emerging countries and on energy efficiency and solar markets. Depending on the opportunities that arise, it will also enable us to further consolidate our positions in Building Distribution.

"For 2010, I confirm our objective of strong growth in operating income at constant exchange rates*, with operating income for second-half 2010 slightly above the first half."

* 2009 exchange rates.



You have just published nine-month sales figures. Can you confirm the upturn in trading? What's your outlook for the end of the year?

Saint-Gobain reported organic growth of 1.4% over the first nine months of 2010, and 2.3% over the third quarter, with prices holding up well. Organic growth continues to be driven by the emerging countries and Asia region, and by the Innovative Materials Sector. The second-quarter recovery of Group businesses linked to European construction gathered pace. In contrast, businesses related to North American construction markets had a difficult third quarter, since distributors in the first half of the year had anticipated a recovery which did not materialize. Trading over the three months to September 30, 2010 was therefore in line with our expectations, i.e. an ongoing recovery in our business overall. This upbeat momentum should continue into the last quarter of the year, but with persistent-

ly strong disparities from one country to the next.

For full-year 2010, I can therefore confirm the objectives that I had raised in July: strong growth in operating income at constant exchange rates (2009 exchange rates) and free cash flow of €1.4 billion, despite an increase in capital expenditure in the second half.

Robust sales performance

First nine months of 2010

↗ **5.5%** on a reported basis

Third-quarter 2010

↗ **7.8%** on a reported basis

Sales for the first nine months of 2010

€30,007m

↗ 5.5% on a reported basis

↗ 1.4% like-for-like

Sales for third-quarter 2010

€10,478m

↗ 7.8% on a reported basis

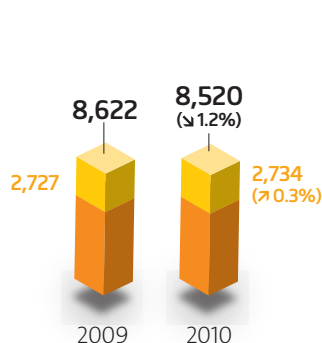
↗ 2.3% like-for-like

Analysis by geographic area

Barring North America, all geographic areas delivered organic growth in the third quarter, confirming the trends observed in the three months to June 30, 2010. Emerging countries and Asia once again delivered double-digit growth, while France and other Western European countries continued to recover, with sales inching up slightly in the third quarter.

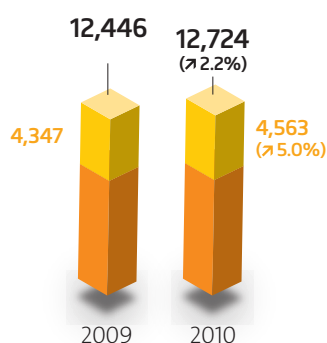
Sales at September 30, 2010 and for the third quarter (% change on an actual structure basis)

(€m)



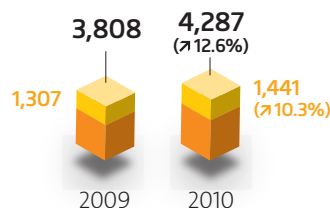
France

Based on like-for-like figures (comparable structure and exchange rates), the third quarter confirms the return to growth in France, with a timid increase in sales (up 0.2% after a rise of 1.1% in the second quarter, including a positive 2% impact due to the higher number of working days), driven chiefly by a robust trading performance from Innovative Materials.



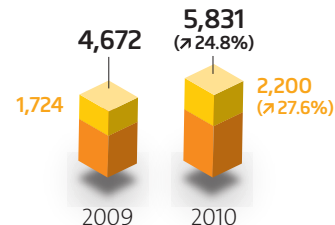
Other Western European countries

Based on like-for-like figures, other Western European countries reported stronger growth in the third quarter (up 1.8% following a rise of 1.7% in the second quarter including a positive 1.1% impact due to the higher number of working days). This growth momentum based on a comparable number of working days was powered chiefly by the UK, Scandinavia and Germany (together representing 74% of sales in the "Other Western Europe" region). In these countries, business was especially brisk in Innovative Materials and, to a lesser extent, in Building Distribution.



North America

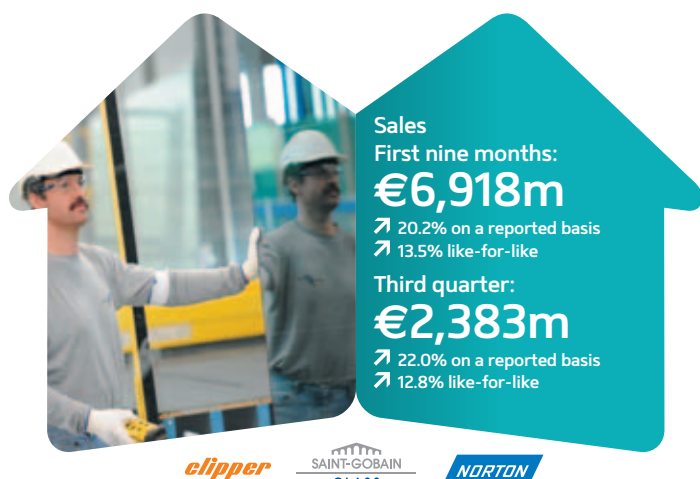
Based on like-for-like figures, the North America region reported a slowdown in trading in the third quarter (sales down 1.5% after a rise of 16.3% in the second quarter). Strong growth in Innovative Materials and vigorous trading in Packaging were more than offset by the decline in Construction Products sales.



Emerging countries and Asia

Based on like-for-like figures, there was increasing momentum across emerging countries and Asia in the third quarter (sales up 12.5% after a rise of 10.4% in the second quarter), reflecting a return to robust growth in Central and Eastern Europe, and particularly Poland, which delivered double-digit growth over the third quarter. Asia and Latin America continued to post vigorous growth figures in line with second-quarter trends, despite a higher comparison basis.

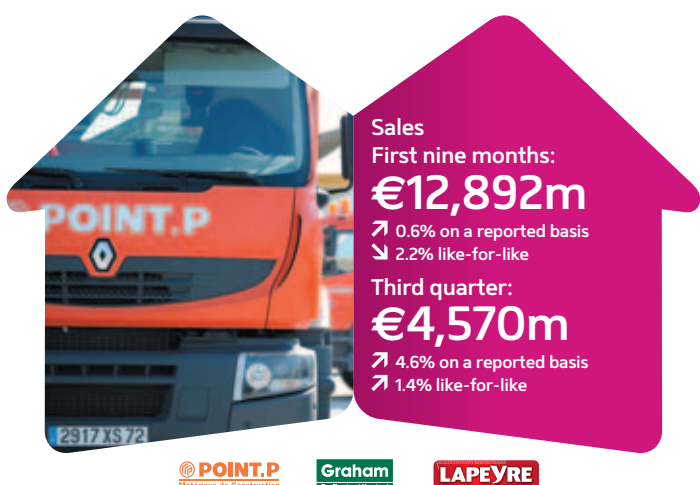
Analysis by Business Sector (comments based on like-for-like figures)



Innovative Materials once again delivered the Group's best organic growth, over both the nine months to September 30, 2010 (13.5%) and the third quarter (12.8%). Overall, the Innovative Materials Sector continued to benefit from a bullish economic climate in emerging countries and Asia (which accounted for 37% of the Sector's sales over the first nine months of 2010), as well as from vigorous industrial markets in both North America and Western Europe.



Sales for the **Construction Products Sector** edged down 1.1% over the nine months to September 30, 2010 and 3.1% over the third quarter. This results from the strong contrasting trends in the third quarter between Western Europe, emerging countries and Asia, which continued to improve and/or grow sharply, and North America, hit by the repercussions of over-optimistic expectations from distributors, whose restocking had inflated first-half figures. Sales prices for both Interior and Exterior Solutions were up across all regions in the third quarter.



Building Distribution posted a 2.2% drop in sales over the first nine months, but returned to growth in the third quarter, (up 1.4%). This positive trend stems primarily from the gradual recovery observed in Germany, the UK and Scandinavia as from March, and to a lesser extent, from the more recent rebound in Eastern Europe. Sales for France remained virtually stable in the third quarter after a slight increase in September. Southern Europe remained in the doldrums.



Packaging continued to report robust trading conditions, with sales virtually stable year-on-year for the nine months to September 30, 2010 (down 0.1%) as well as for the third quarter (up 0.2%). Both volumes and sales prices remained in line with the healthy levels of 2009.

Update on asbestos claims in the US

Some 4,000 claims were filed against CertainTeed in the first nine months of 2010, compared with 3,000 claims in the same year-ago period. Taking into account around 13,000 claims settled or transferred to inactive dockets in the nine-month period (versus 5,000 in the first nine months of 2009), the total number of outstanding claims fell sharply, to around 55,000 at September 30, 2010 compared with 64,000 at June 30, 2010 and December 31, 2009.



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

Saint-Gobain Building Distribution, a leading player in energy efficiency

Since it was created in 1996, European leader Saint-Gobain Building Distribution has continued to shape its products and services to meet the needs of the building trade, offering cutting-edge solutions to **promote energy efficiency and improve the energy performance of buildings**. Sales concepts, products and services, showrooms, training centers, practical guides and day-to-day advice... we take a closer look at Saint-Gobain Building Distribution's latest initiatives to inform, train and partner trade professionals and homeowners in energy efficiency.



Point.P information kits



Information kits developed by Point.P Building Materials and CEDEO offer their professional customers a comprehensive, bespoke range of user-friendly materials to inform and guide them on the subject of energy performance. With 400,000 copies published, **Point. P's Technical Guide to Energy Efficiency** is aimed at providing

professionals with all they need to know about energy performance and helping them choose the right solutions in both new-build and renovation projects. The guide is divided into four chapters, including a summary of the general principles of energy efficiency, help in identifying the right construction and implementation solutions, a guide to available solutions and a product catalog.

Available in two 12-page brochures (one for new-builds and one for renovation), the "Everything You Need to Know" brochures are available to general building merchants. **Designed to promote widespread access to energy efficiency solutions, they discuss the construction of low-energy buildings in new-build developments, and highlight tax-efficient insulation solutions that meet applicable regulations for renovation projects.**

At the regional Novibat trade shows (10 three-day shows across 10 regions) bringing together between 180 and 220 industrial partners and around

25,000 customers in total, **Point.P Building Materials launched a demo area dedicated solely to energy performance**. This area displayed all of the tools created to partner building professionals and was based around five workshops which reproduced the different stages of each project.

Between each Novibat trade show and until the Batimat fair in 2011, this demo area becomes a travelling exhibition which tours France in a truck, visiting Point. P outlets in more than 50 towns across France to meet with trade professionals. In all, more than 5,000 professionals are expected to drop in on these "Eco Réflexes" meetings promoting environmentally responsible solutions.

Launched in spring 2010 and rolled out in CEDEO and Dupont Sanitaire outlets, the **"New Energies" showroom** is an innovative concept dedicated entirely to renewable energies. The showroom features an information corner and product display area.



The Brødrene Dahl "Klimacenter"

At the end of 2009, Brødrene Dahl, Saint-Gobain Distribution Nordic's heating and plumbing specialist, opened its

first "Klimacenter" (Climate Center) in Denmark. This 900-square meter facility features **a showroom, two training rooms and a center of expertise on renewable energy and ventilation**. Industry professionals and homeowners can visit the showroom to test different products and find the energy-efficient solutions that best meet their needs. The center displays a wide selection of ventilation systems, heat pumps, solar heating systems and ecological boilers for residential, industrial and public buildings.

The two- or three-day courses provided by Brødrene Dahl at the center are tailored to small contractors' needs and their knowledge of renewable energy and ventilation technology. More than 300 small contractors have signed up since January.

The center in Horsens has been such a success that another Climate Center is planned for the Copenhagen area.



Solarkauf and the photovoltaic market



Saint-Gobain Building Distribution Deutschland (SGBDD) has launched **Solarkauf**, an all-in-one solution offering a comprehensive range of products and accessories for the photovoltaic market. Intended for professionals and homeowners, this new product offering was unveiled to the public at this summer's Intersolar trade show in Munich. By the end of the year, more 40 Solarkauf centers will have opened in selected SGBDD stores. SGBDD has also created its own brand name ("Luxra") to sell solar modules and installation frames. Unlike other distributors of photovoltaic applications, Solarkauf allows professional clients as well as homeowners to find everything

they need under one roof. A sales force has been specifically trained to offer clients high-quality expertise and advice.



Key figures Saint-Gobain Building Distribution in 2009

€17.1bn

in sales

45%

of Group sales

26 countries

4,200 sales outlets

200 million

client contacts

67,000 employees

No. 1 in Europe

- for the distribution of building materials
- for the distribution of heating and plumbing products

No. 1 worldwide

for the distribution of tiling

For more information, discover Saint-Gobain Building Distribution's new corporate brochure on www.saint-gobain.com

Reflecting its commitment to environmental responsibility, this brochure is only available in electronic format.



LATEST NEWS

AVANCIS
TO BUILD A NEW
PLANT IN SOUTH KOREA

Following the start of construction on a second Avancis plant in Germany in June, Saint-Gobain has announced that it is to build a third high-efficiency PV panels facility in South Korea with Hyundai Heavy Industries (HHI). This partnership will take the form of a 50-50 joint venture to be known as Hyundai Avancis.

The first manufacturing facility for the joint venture will ultimately produce 850,000 CIGS

(Copper – Indium – Gallium – Selenide) modules using thin-film technology, for roofs and solar fields. This represents an output of 100 MW per annum, or the equivalent annual energy requirements of a town with 15,000 inhabitants. The site should be operational from the second quarter of 2012 and will supply the global market. Its modules will be marketed independently by Avancis and HHI.

FRANKFURT'S
BRAND NEW
STOCK EXCHANGE

The Construction Products Sector supplied large quantities of materials for the new headquarters of the Frankfurt Stock Exchange in Germany. The Pipe division supplied 6 km of 50mm-400mm diameter pipe along with associated fittings and couplings from the PAM-GLOBAL S range for wastewater and stormwater evacuation from buildings, and from the PAM-GLOBAL Plus range

for aggressive sewage. Forty thousand square meters of weber.mur 630 EQ mortars were applied on the internal stairs and walls, while the kitchen façades were coated using other Weber renders. Saint-Gobain Isover G+H (Insulation) delivered glass wool panels for internal dry finishing, ULTIMATE high-performance mineral wool felt, and extruded polystyrene foam.

Mirroring the green revolution

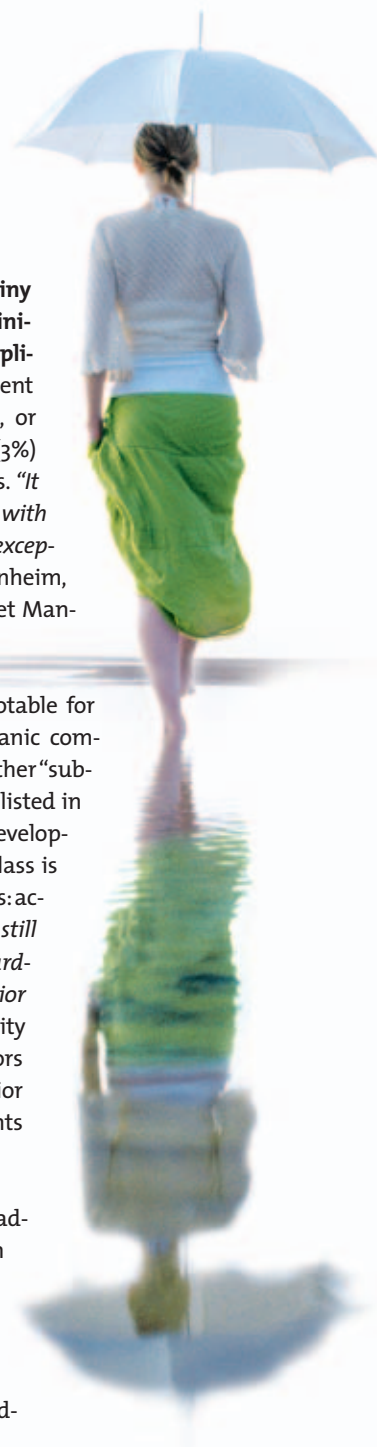
The secret to manufacturing mirrors dates back centuries. The Hall of Mirrors in the Palace of Versailles symbolizes the creation of Compagnie de Saint-Gobain's ancestor under King Louis XIV. Of course since then, production techniques have grown more sophisticated, particularly out of a desire to improve durability. In launching SGG MIRALITE® REVOLUTION, Saint-Gobain Glass has asserted both its long-standing expertise and its role as pioneer and innovator in this market. While the new mirror retains the durability and transformability of its predecessor, SGG MIRALITE® EVOLUTION, its chemical composition is new, and particularly environmentally friendly. Lead, a powerful anti-corrosion agent traditionally used in paints and potentially harmful to health, is out.



SGG MIRALITE® REVOLUTION has a tiny concentration of lead, below the minimum thresholds imposed by all applicable regulations: a residual content of some 50 ppm (parts per million, or 0.005%), compared with 30,000 ppm (3%) for a standard mirror, i.e. six times less. *"It took three years of close cooperation with our paint suppliers to achieve this exceptional progress"*, explains Isabelle Bernheim, International Product & Design Market Manager for Saint-Gobain Glass.

SGG MIRALITE® REVOLUTION is also notable for its very low emission of volatile organic compounds. It contains no phthalates, or other "substances of very high concern" (SVHCs) listed in the European REACH regulation. In developing this new product, Saint-Gobain Glass is pre-empting future legal requirements: according to Isabelle Bernheim, *"There is still a degree of regulatory uncertainty regarding materials that can be used in interior finishing"*. Here then, was an opportunity to gain the lead in a key market. Mirrors account for one-quarter of the interior glass market, which in turn represents 25% of the building glass segment.

SGG MIRALITE® REVOLUTION is set to gradually replace its predecessor, based on a production schedule covering a period of 18 months. By 2011, eight million square meters of mirrors will be produced annually in Europe and 22 million square meters worldwide.



SAINT-GOBAIN AND SUSTAINABLE DEVELOPMENT

Saint-Gobain included in the Carbon Disclosure Leadership Index

For the first time ever, Saint-Gobain has been included in the Carbon Disclosure Leadership Index (CDLI). This index tracks the best 51 companies from the Global 500 (the world's 500 largest companies), based on the quality of information they provide about CO₂ emissions. **The Group is ranked fifth in the «Industrial» segment.**

The Carbon Disclosure Project (CDP), which includes 534 international institutional investors, awarded Saint-Gobain a score of 89/100 in 2010 (up from 67/100 in 2009).

The Carbon Disclosure Leadership initiative encourages the development of a common method for measuring greenhouse gas emissions and helps to incorporate it within a more general analysis of financial investments.

For more information: www.cdproject.net

Dates for your diary in 2011

RESULTS FOR 2010

February 24, 2011, after close of trading on the Paris Bourse

FIRST-QUARTER 2011 SALES

April 28, 2011, after close of trading on the Paris Bourse

ANNUAL GENERAL MEETING

3:00 p.m. on June 9, 2011, at the Palais des Congrès, Paris

RESULTS FOR FIRST-HALF 2011

July 28, 2011, after close of trading on the Paris Bourse

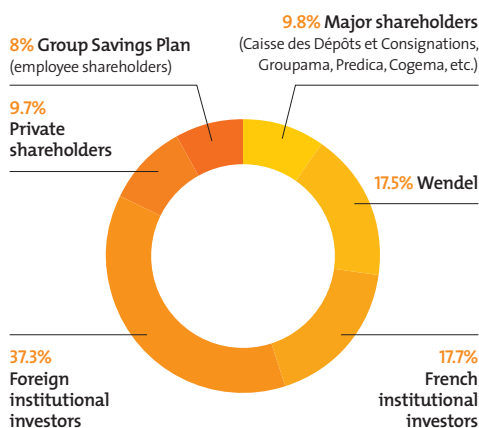
SALES FOR THE FIRST NINE MONTHS

October 25, 2011, after close of trading on the Paris Bourse

TOTAL NUMBER OF SHARES AT SEPTEMBER 30, 2010

530,800,865

ESTIMATED OWNERSHIP STRUCTURE AT SEPTEMBER 30, 2010 (%)



Saint-Gobain share price

SHARE PERFORMANCE 2004-2010

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

On October 21, Saint-Gobain published quarterly sales figures in line with expectations, and confirmed its objectives for full-year 2010. The Saint-Gobain share gained 8.4% over the month (see below), outperforming the CAC 40 index by 6 points. Among the 23 financial analysts tracking the Group, 21 had a positive recommendation on the share, with price targets averaging around €41.

Performance over the period: Saint-Gobain : + 1.1% CAC 40 : +9.0%



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

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

High:
€76.986⁽¹⁾
July 12, 2007

€35.660⁽¹⁾
October 21, 2010

Low:
€17.485⁽¹⁾
February 26, 2009

RECENT PERFORMANCE OF THE SAINT-GOBAIN SHARE

Recent performance at October 21, 2010 (€35.660) in %

	Saint-Gobain share price	CAC 40	DJ Euro Stoxx 50	DJ Euro Stoxx 50 Construction
Trailing 12 months	-2.9%	+0.1%	-1.9%	-12.1%
Trailing 6 months	-4.3%	-2.5%	-2.2%	-13.5%
Trailing 3 months	+14.1%	+11.0%	+9.2%	+7.1%
Trailing month	+8.4%	+2.5%	+3.1%	+3.8%

Your contacts

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

• By dialing **N° Vert 0 800 32 33 33**

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