2008

ANNUAL
REPORT

SAINT-GOBAIN

This registration document was filed with the *Autorité des Marchés Financiers* on March 24, 2009 under number D.09-0149, in accordance with Article 212-13 of the AMF's General Regulation. It may be used as a supporting document for a financial operation, but only alongside an information memorandum approved by the *Autorité des Marchés Financiers*.

Contents

Saint-Gobain:

a **Solid** Group

Saint-Gobain's 2008 results were in line with our forecasts. Consolidated net sales rose 3.7% over the year, while operating income and recurring net income saw single-digit decreases of 9.1% and 9.5% respectively. Most of the decline came in the second half and especially the fourth quarter, reflecting the impact of the global economic crisis.

The current recession is unprecedented in its breadth—affecting all economic sectors and all countries—and its depth. 2009 is likely to be even more difficult, shaped by a gradual turnaround in the European building markets and shrinking demand in the world's main industrial markets.

In response to this situation, Saint-Gobain proactively deployed a program to cut costs, rightsize production capacity and sharply reduce capital spending and investment in the second half of 2008. These measures will be expanded in 2009. We have already launched a wide-ranging plan that makes use of all operating and financial levers—including a €1.5 billion capital increase—to guide us through the current financial turbulence and help us emerge even stronger than before.

At the same time, we intend to continue implementing our strategic vision. Thanks to our global leadership in energy efficiency solutions for buildings—a market that accounts for a third of our business—and our broad exposure to the more resilient building renovation market in Europe (36% of consolidated sales), we are well positioned to reap the full benefits of the stimulus plans being rolled out by the major Western nations. We also remain fully committed to research and innovation and to targeted expansion in emerging economies.

In a time of poor visibility, Saint-Gobain is a solid enterprise with a detailed roadmap for the short term and a carefully considered vision for the long-term. We have what it takes to make the difference and to pull even farther ahead of our competitors.

In light of the Group's solid fundamentals and the action plans implemented in all our business sectors, we are more confident than ever in Saint-Gobain's future. We are certain that Saint-Gobain stands to benefit greatly when the economy recovers.

Jean-Louis Beffa,
Chairman of the Board of Directors

Pierre-André de Chalendar,
Chief Executive Officer

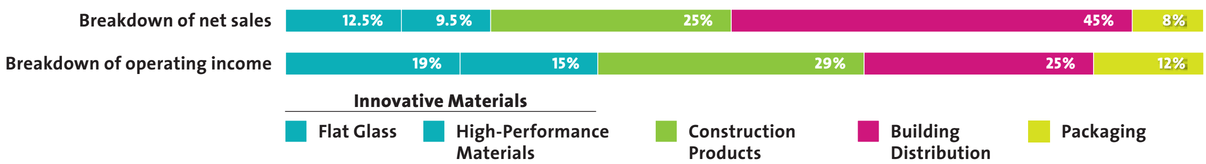
2008: a satisfactory year

In a difficult business environment, Saint-Gobain lifted its sales by 3.7% from 2007, which was a record year for the Group. Organic growth came to 0.3%, reflecting a satisfactory performance in the first nine months and the global economic downturn in the fourth quarter.

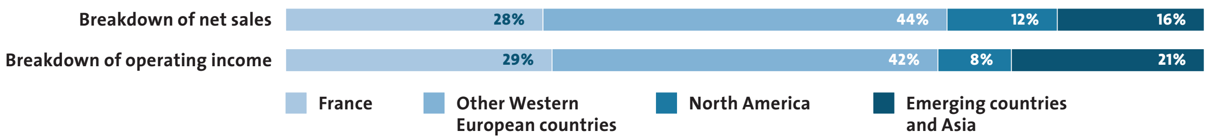
(in € millions)	2008	2007	2006
NET SALES	43,800	43,421	41,596
Operating income	3,649	4,108	3,714
Net income	1,437	1,543	1,682
Recurring net income (1)	1,914	2,114	1,702
Recurring earnings per share (in €) (1)	5.00	5.65	4.62
Net income attributable to equity holders of the parent	1,378	1,487	1,637
Earnings per share (in €) (2)	3.60	3.97	4.44
Total investments (3)	4,507	3,238	2,775
Equity (including minority interests)	14,530	15,267	14,487
Net debt	11,679	9,928	11,599
Non-current assets	28,026	26,041	26,274
Working capital	2,392	2,540	2,451
Employees (at December 31)	209,175	205,730	206,940

(1) Excluding disposal gains and losses, asset impairment charges and material non-recurring provision charges (including for fines imposed on the Flat Glass Division by the European Commission).
(2) Earnings per share are calculated based on the number of shares outstanding at December, 31.
(3) Capital expenditure and financial investments, excluding purchases of treasury stock.

BY SECTOR



BY GEOGRAPHIC AREA



Strategy and Businesses of Saint-Gobain

The French version of this Registration Document, which includes the Annual Report, was filed with the Autorité des Marchés Financiers (AMF) on March 24, 2009 under no. D.09-0149. In accordance with the AMF's General Regulations, it may be used as a supporting document for a financial transaction, but only alongside an information memorandum approved by the Autorité des Marchés Financiers.

Saint-Gobain, the world leader in the habitat and construction markets, designs, manufactures and distributes building materials, providing innovative solutions to meet growing demand in emerging countries, for energy efficiency and for environmental protection.

Growing awareness of global warming and the looming shortage of fossil fuels are driving developed countries to pass new regulations in favor of energy-efficient construction. This is encouraging the introduction of innovative construction techniques for new buildings along with new insulation standards for renovation projects. At the same time, emerging economies are experiencing rapid urban development combined with exponential growth in infrastructure needs and are looking for similar energy-efficient solutions. All of these developments represent attractive opportunities for Saint-Gobain, which has successfully shifted from a product culture to a market culture. Today, we offer easy-to-use solutions aligned with local needs and practices in every segment of the construction market, from homes to public buildings and from newbuilds to renovation projects.

The strategic vision announced in 2007 was deployed in 2008 with a focus on three priority objectives: inventing and building the homes of the future, driving faster expansion in emerging markets and responding to recession by demonstrating operational excellence.

Building the homes of the future

Saint-Gobain intends to play a leading role in the revolution that is about to take place in the habitat and construction sector, by developing innovations that will make buildings more energy efficient and help to protect the planet. Our steady – and ongoing – research and development commitment has already brought to market a wide array of interior and exterior insulation solutions combining flat glass, glass wool, plasterboard and exterior wall coating mortars.

A strong supporter of renewable energies, Saint-Gobain is focusing on solar power solutions with a presence across the value chain and the technology base, including photovoltaic panels, solar concentrators and solar heating systems. In 2008, a dedicated unit, Saint-Gobain Solar, was set up. Saint-Gobain's objective is to lift revenues of its whole solar-related business from a current €150 million to €2 billion in 5 years.

At the same time, we are helping homeowners to save energy by developing substrates for low-energy LED lamps.

The home of the future will be a comfortable, healthy haven, protected from the aggressions of the outside world. Saint-Gobain offers decorative solutions, such as ceiling systems and paintable woven glass fabrics, products to improve air quality, and sound absorbing ceiling and plasterboard panels.

Lastly, the home of the future will be built in partnership with the main construction players, led by a new generation of contractors skilled in energy-efficient construction techniques. As part of our commitment to helping customers and partners to embrace these green principles, a broad-based program was introduced in 2008 to train builders in emerging energy-saving techniques and solutions.

This strategy is being deployed through three Sectors, each with its own growth drivers contributing harmoniously to our expansion.

The Innovative Materials Sector, comprising the Flat Glass and High-Performance Materials divisions, is spearheading our advance in over-the-horizon technologies. With its unique portfolio of materials and processes for the habitat, construction and industrial markets, the Sector embodies our innovation-oriented culture and accounts for 65% of our total Research and Development commitment.

The Construction Products Sector offers acoustic and thermal insulation products, wall facings, roofing products, piping and other interior and exterior building solutions that deliver a wide range of benefits, including energy savings. Its diversified business base provides an unrivalled referral network, a global industrial footprint and a portfolio of high profile brands like Isover®, PAM®, Weber®, Placo®, Gyproc® and CertainTeed®.

The Building Distribution Sector, which is sharply focused on services for building contractors, has a strong service culture and detailed knowledge of the construction market and how it is changing. It plays a key role in helping contractors to embrace new building renovation techniques.

The Packaging Sector does not form part of the strategy and was scheduled to be divested. In light of prevailing market conditions, however, the sale has been postponed. The business delivered excellent results in 2008 and we are continuing to invest in its development.

Driving faster growth in emerging markets

In line with its search for new growth in promising segments, Saint-Gobain is continuing to expand in the emerging economies, where the habitat and construction markets offer substantial growth potential due to the rapid pace of urban development and exponentially rising infrastructure needs.

For the second year running, Asia and emerging markets contributed more to consolidated net sales than North America, at 16% versus 12%. The aim is to lift this proportion to one-third in 2010 from one-quarter in 2008 (excluding Building Distribution).

Responding to recession by demonstrating operational excellence

By building its strategy on the habitat ans construction markets, Saint-Gobain is being guided by a long-term vision of what the construction industry will look like in the future. This deep understanding of the market is part of our corporate culture, reflecting nearly 350 years' experience that has made us a leader in every market. One of the critical factors underpinning our enduring success has been and will continue to be the ability to swiftly adapt to changing economic environments, supported by strong values that serve as invaluable guideposts in uncertain times.

These are the principles we are applying today, to foresee and quickly respond to new economic conditions, and thus to emerge from the crisis in even better shape.

In addition to the savings expected from the cost-cutting plans launched last year, we are actively working to instill a real culture of operational excellence across the organization.

Ten-Year Consolidated Financial Highlights

(in € millions)	2008	2007	2006	2005[1]	2004 (IFRS)	2004	2003	2002	2001	2000	1999
Net sales[2]	**43,800**	43,421	41,596	35,110	32,172	32,025	29,590	30,274	30,390	28,815	22,952
Operating income	**3,649**	4,108	3,714	2,860	2,743	2,632	2,442	2,582	2,681	2,693	2,314
Net income	**1,437**	1,543	1,682	1,294	1,275	1,120	1,065	1,074	1,174	1,642	1,389
Recurring net income[3]	**1,914**	2,114	1,702	1,284	1,289	1,122	1,020	1,051	1,057	1,026	883
Recurring earnings per share[4] (in €)	**5.00**	5.65	4.62	3.72	3.78	3.29	2.93	12.32 3.08[*]	12.40	12.04	10.12
Net income attributable to equity holders of the parent	**1,378**	1,487	1,637	1,264	1,239	1,083	1,039	1,040	1,134	1,517	1,226
Earnings per share[4] (en €)	**3.60**	3.97	4.44	3.66	3.63	3.18	2.99	12.20 3.05[*]	13.30	17.80	14.05
Total investments[5]	**4,507**	3,238	2,775	8,747	2,197	2,194	1,911	2,061	2,246	4,694	3,479
Equity (including minority interests)	**14,530**	15,267	14,487	12,318	10,863	11,806	11,310	11,542	12,348	11,724	11,151
Net debt	**11,679**	9,928	11,599	12,850	6,218	5,566	5,657	7,012	7,792	8,217	6,306
Non-current assets	**28,026**	26,041	26,274	26,763	17,183	17,515	17,237	18,840	19,678	19,530	16,909
Working capital	**2,392**	2,540[6]	2,451	2,324	3,181	4,943	5,247	3,951	3,075	3,222	2,612
Employees (at December 31)	**209,175**	205,730	206,940	199,630	181,228	181,228	172,811	172,357	173,329	171,125	164,698

[1] Including BPB from December 1, 2005.
[2] Including other revenue of €318 million in 2008, €295 million in 2007 and €273 million in 2006.
[3] Capital expenditure and financial investments, excluding purchases of treasury stock.
[4] Excluding disposal gains and losses, asset impairment charges and material non-recurring provision charges (including for fines imposed on the Flat Glass Division by the European Commission)
[5] Earnings per share are calculated based on the number of shares outstanding at December 31, 2008.
[6] Working capital adjusted for the €560 million provision set aside in 2007 for fines imposed on the Flat Glass Division.
[*] Adjusted for the June 27, 2002 four-for-one stock-split.

Innovative

Materials

FLAT GLASS

With more than 37,000 employees in 40 countries, the Flat Glass business is the leading flat glass manufacturer in Europe and the second largest worldwide[1]. It comprises four main businesses: flat glass manufacturing, processing and distribution of glass for the building industry, automotive glazing, and distribution of glass products, photovoltaic modules and systems for the solar energy market.

Flat glass is manufactured in large industrial facilities on long float lines that produce everything from basic clear and colored grades to more sophisticated types with metallic oxides or other special coatings for use in a wide range of applications, such as insulation and solar control glass.

The Flat Glass Division has 34 float lines worldwide, including 13 operated through joint ventures. A new line is currently under construction in Egypt.

In addition to the core product range, the Division manufactures specialty glass for the building industry, including colored, high light transmitting and embossed glass, and glass ceramics. Eurokera, a joint venture set up with Corning Glass Works, is the co-world leader[1] in ceramic glass hobs.

Over a third of the glass produced by the Flat Glass Division's plants is further processed before being sold, notably for the building and automotive industries.

Conducted through a network of downstream manufacturing and distribution companies, the "Building Transformation" business covers a broad spectrum of applications, including wall facings, large architectural projects, urban amenities, industrial joinery, furniture, bathroom fixtures and interior decoration.

All of these applications have benefited from ground-breaking innovations, such as low-emission (low-E) glass, solar-control glass, electrochromic (electrically-controlled) glass, shatterproof glass and fireproof glass.

The Division also offers specialty glass products that are well positioned in their respective markets, such as oven door and refrigerator glass (Euroveder), industrial optics and industrial refrigeration (Sovis).

As a glass manufacturer and processor, the Flat Glass business is stepping up growth in the renewable energy segment, with a presence across the value chain, from the manufacture of special glass for photovoltaic modules, solar concentrator mirrors and photovoltaic cells, to the distribution and installation of complete photovoltaic systems.

Saint-Gobain also manufactures automotive glazing through its Saint-Gobain Sekurit subsidiary, which supplies major European and global carmakers with windshields, side windows, rear windows, glass sun-roofs and other ready-to-assemble modules. These are all complex products, featuring advanced toughening, lamination and tinting technologies and high-performance coatings. They are also changing very quickly to deliver the greater visibility, insulation and soundproofing that give today's users the safe, comfortable driving experience they expect. We also serve other segments of the transportation industry, with glazing products for aircraft, railcars, trucks and armored vehicles.

Businesses and Products	Main Applications	Main Competitors	Competitive Ranking[1]
Basic glass products Flat glass	• Plain & tinted glass, coated glass		
Building products manufacturing and distribution	• Glass for construction, building and interior design; furniture glass	• NSG (Japan) • Asahi (Japan) • Guardian (United States) • P.P.G (United States) • Cardinal (United States)	No. 1 in Europe No. 3 worldwide
Automotive glazing	• Clear and safety glass for the automotive OEM and after markets • Aircraft & transportation industries		No. 1 in Europe and no. 2 worldwide
Solar energy solutions	• Photovoltaic systems, solar heating and solar thermodynamic systems		No. 1 in Europe and no. 2 worldwide for the production of glass for photovoltaic systems
Specialty glass	• Fireproof glass, nuclear safety glass, industrial optics, glass for household appliances and industrial refrigeration	Schott (Germany)	Leader or co-leader worldwide

[1] Source Saint-Gobain.

Innovative Materials

HIGH-PERFORMANCE MATERIALS

The High-Performance Materials Division delivers high value-added solutions for the construction and manufacturing markets, leveraging proficiency in three main types of materials – mineral ceramics (though the Ceramics, Grains & Powders, Abrasives and Crystals businesses), performance polymers (Performance Plastics) and glass fabrics (Textile Solutions). The Division has acquired leading edge expertise in a range of technologies running across these businesses, enabling it to leverage all the benefits of these highly complementary materials and to design innovative composites.

With its unique portfolio of materials and technologies, the High-Performance Materials business can make a decisive contribution to addressing the challenges currently facing the habitat and construction industry. In the area of photovoltaic systems, for example, the Division manufactures fused quartz crucibles that are used to grow monocrystalline silicon slabs, supplies silicon substrate cutting tools and has developed plastic films for the manufacture of flexible solar modules. Also for the habitat and construction markets, the Division has developed abrasives for rough cutting concrete walls and floors, polishing interior surfaces and creating decorative finishes. Highly sophisticated refractory products are used to produce special glass for flat-screen displays, while crystals are used to make electroluminescent diodes, contributing to the development of tomorrow's energy-efficient LED lighting solutions.

Many of the Division's solutions are developed jointly with customers, in order to match their needs as closely as possible.

The High-Performance Materials Division allocates a significant proportion of net sales to Research and Development (close to 4% in 2008). Most of the Research and Development commitment is focused on large projects that demonstrate the immense potential of these types of materials to address today's most critical habitat and construction, energy and environmental challenges.

Examples of Research and Development projects include:

- *Improving roof performance with films and compound fabrics*. By combining performance plastics and glass fabrics, we can design new roofing films and membranes that last longer, insulate better and are self-cleaning.
- *Reducing automotive emissions with the diesel particulate filter.* Silicon carbide, one of the Division's key materials, is used to meet exacting specifications for particulate filters, which will become compulsory on diesel engines under European standards in 2010.
- *Decentralizing power generation with fuel cells.* Ceramic-oxide fuel cells can be used to generate home electricity from natural gas.

High-performance Materials are being developed at our four cross-business Research and Development centers, in Northboro, Massachusetts in the United States, at Saint-Gobain CREE in Cavaillon, France, at Saint-Gobain Recherche in Aubervilliers, France, and at Saint-Gobain Research in Shanghai, China, the new center set up to support our businesses and target new markets for our products in Asia. A variety of other Research and Development teams are based at the Division's large industrial facilities, enabling them to harness the power of an efficient production system extending across more than thirty-five countries worldwide.

The Ceramics unit comprises four businesses:

In the value chain, the **Grains & Powders** business comes just after the production of silica and zirconium sands, bauxite and other mineral raw materials. Saint-Gobain is the world leader[1] in the purification, crushing, melting and sintering of these materials. It sells high-value suspensions and powders for the ceramics industry (through the Silicon Carbide unit), aluminum oxide and zirconium oxide abrasive grains, and finished products. Typical products include pigment powders for home ceramic tiles and proppants used to enhance oil reservoir recovery rates.

The global market leader[1] in **Ceramics**, Saint-Gobain serves a wide range of industries with products that deliver the remarkable properties of high-performance ceramics, such as exceptional mechanical strength, hardness, heat resistance, controlled porosity, and light weight. Two examples of applications are diesel particulate filters and glass furnaces. The latter are made with refractory ceramics that are particularly sophisticated, especially in furnaces that produce specialty glass for flat screen displays. Refractory ceramics are also used in the steel industry. In addition to exercising leadership in these traditional markets, we have also launched ambitious development projects to address emerging challenges.

Abrasives is another business in which Saint-Gobain leads the world[1], thanks to its expertise in the ceramic grains on which most abrasive products are based. Saint-Gobain Abrasives covers the entire spectrum of abrasives, providing expertise and solutions at every process stage, from slabbing and cutting to polishing, grinding and surface-finishing. The markets served are also wide-ranging, including construction and homebuilding (from rough cutting of concrete walls and floors to sanding of wooden floors and polishing for decorative finishes), heavy industry (in steelworks and paper mills), and manufacturing and high-tech industries (automotive, aerospace and electronics). Innovation is a key factor in this business, driving the development of increasingly efficient and reliable products that are easier to use and longer lasting. In 2008, a new plant came on stream at Shuzhou, China, strengthening our position in the industrial and construction abrasives markets, both of which are experiencing double-digit growth in China.

Crystals are used in many advanced technologies for their optoelectronic and other unique properties. For example, crystals are used to make light-emitting diodes (LEDs), a highly energy-efficient lighting solution for the future that we are actively helping to develop by supplying sapphire substrates and gallium nitride. Major contracts have also been won in the security sector, for the scintillation crystals used in X-ray gates, and a new line of medical imaging crystals has been developed, which enable the earlier detection of disorders.

Thanks to **Performance Plastics**, the High-Performance Materials Division has developed considerable technological expertise in the production of polymers delivering such remarkable properties as high-temperature resistance, chemical stability and purity, and special mechanical and surface properties. As such, they are in high demand for a broad range of new applications in the automotive, aerospace, healthcare and construction industries.
One example is the architectural membranes made of fluoropolymer-coated glass fabric, which are now widely used in major construction projects for their robustness, light weight, ultra-violet resistance, soil resistance, and acoustic correction capabilities. The Performance Plastics business comprises three units: Composites (films, foams and coated fabrics for construction and industry), Bearings & Seals (for the automotive and aerospace industries), and Fluid Control Systems (for the healthcare and electronics industries). In 2008, the business acquired Green Glue, a manufacturer of visco-elastic soundproofing materials.

The **Textile Solutions** business makes and sells glass fiber yarns and fabrics, chiefly for construction and homebuilding applications. We operate in some of the most buoyant segments of these markets, with groundbreaking solutions such as glass fabrics for façade insulation, a technique increasingly used in Europe for renovation work and new buildings. Another example of development work is the range of paintable glass fabrics, a simple, elegant interior decoration solution that Saint-Gobain has further enhanced with acoustic correction capabilities.

[1] Source Saint-Gobain.

High-Performance Materials

Businesses and Products	Main Applications	Main Competitors[1]	Competitive Ranking[1]
Ceramics			
Grains & Powders	• Raw materials for abrasives and ceramics industries • Mineral pigments for domestic ceramics Catalyst substrates for the petrochemical industry • Proppants for the oil industry • Ceramic balls for micro-grinding applications	• Carbo Ceramics (United States) • Imerys (France)	• No. 1 worldwide in silicon carbide • No. 1 worldwide in zirconium-based abrasives • No. 1 worldwide in ceramic balls • No. 2 worldwide in proppants
Refractories	• Ceramic blocks for the manufacture of industrial furnaces for glass, ceramic, metallurgy and energy applications (including special glass for LCD and PDP screens) • Armor plating for the defense industry	• Asahi (Japan) • Cookson Vesuvius (UK)	• No. 1 worldwide in refractories for glass and non-ferrous metal industries
Advanced Ceramics	• Fine ceramics for the home appliance, automotive, aviation, aerospace, electronics, nuclear, oil and petrochemical industries	• Kyocera (Japan) • CeramTec (Germany) • NGK Insulators (Japan)	• No. 1 or No. 2 worldwide, depending on the application
Diesel particulate filters	• Filters to abate diesel engine soot and NO_x emissions	• Ibiden (Japan) • NGK (Japan) • Corning (United States)	• No. 3 worldwide
Crystals	• Sensors for medical imaging, oil exploration and security and safety applications • Substrates, components and equipment for the semi-conductor, light-emitting diode and optical industries	• Kyocera (Japan) • II-VI (United States) • Heraeus (Germany)	• No. 1 worldwide in scintillation systems • No. 2 or No. 3 worldwide in LED substrates
Abrasives			
Bonded abrasives	• Roughing, grinding and sharpening of materials and tools in aerospace, automotive, metal processing, steel and bearings industries	• Carbo plc (UK) • Noritake (Japan) • Tyrolit (Austria)	• World leader in every abrasive business
Thin grinding wheels	• Cutting, deburring, metal processing, maintenance, energy, steel, construction and DIY applications	• SAIT (Italy, United States) • Tyrolit (Austria) • Comet (Slovenia)	
Coated abrasives	• Surface treatment and sanding applications in aerospace, automotive, furniture, hand tools, steel, jewelry, watchmaking and biomedical industries	• 3M (United States) • Hermes (Germany) • Klingspor (Germany) • SIA (Switzerland)	
Superabrasives	• Precision tools for aerospace, automotive, bearings, cutting tools, electronics and composite materials industries • Glass industry • Building materials industry	• Asahi (Japan) • Diamant Boart (Belgium) • Noritake (Japan) • Wendt Boart (Belgium)	
Performance Plastics			
Bearings and Seals	• Friction parts for automotive, aerospace and industrial machinery applications	• Trelleborg (Sweden) • Glacier Garlock (United States)	• No. 1 worldwide in automotive bearings
Fluid control systems	• Tubes, valves and connectors for fluid control systems in agri-food, bio-medical, automotive and semiconductor industries	• Entegris (United States) • Stedim (France) • Parker Hannifin (United States) • Kuriyama (Japan)	• No. 2 worldwide in specialty pipes
Films, foams & coated fabrics	• Adhesive coatings, architectural units, radomes, protective gear, cooking surfaces, composite material molds, metal-glass seals for the automotive and construction industries	• 3M (United States) • Rogers (United States) • DuPont (United States) • Nitto Denko (Japan)	• No. 1 worldwide in fluoro-polymer-coated fabrics
Textile Solutions			
Glass fiber yarn	• Bobbins of glass fiber yarn for the textile industry	• AGY (United States) • P.P.G. (United States) • Nittobo (United States)	• No. 1 worldwide in construction fabrics
Reinforcement fabrics for construction and manufacturing	• Wall facing reinforcements, paintable fabrics, mosquito netting, strengtheners for roof waterproofing systems, geotextiles	• Johns Manville (United States) • Phifer (United States) • Vitrulan (Germany)	• No. 1 worldwide in paintable fabrics • No. 1 worldwide in construction fabrics

[1] Source Saint-Gobain.

Construction Products

Saint-Gobain Construction Products markets interior and exterior solutions through its Gypsum, Insulation, Exterior Fittings, Pipe and Industrial Mortars divisions. The Sector has products for every need, both technical (such as noise control, insulation, sheathing or waterproofing) and non-technical (for example, easy installation or stylish design), backed by highly professional teams, well-known brands and robust strategic positions.

The highlight of the year was the March acquisition of the Maxit group, which has doubled the size of the industrial mortars business and lifted it to the position of leader[1] in Germany and the Nordic countries.

In the coming years, we will continue to expand in the renovation markets by providing innovative energy-saving and noise control solutions.

Interior Solutions

Gypsum

The Gypsum Division is the world's leading supplier of plasterboard and plaster[1]. Its operations consist of extracting gypsum - an abundant mineral found in the earth's crust – and converting it into a wide range of plaster-based products used for construction and decoration.

Our comprehensive line-up of plaster-based solutions for partitions, wall linings, ceilings and floors meet high technical specifications in terms of fire and damp resistance and thermal and acoustic insulation, while also responding to customer demand for a comfortable and visually pleasing home environment.

Our aim is to become the preferred supplier of innovative and high-performance solutions for building interiors and light buildings.

With over 13,000 employees and 135 production facilities worldwide, the Gypsum Division offers its customers easy-to-install systems complying with increasingly demanding energy efficiency, safety and comfort specifications.

Marketed under well-known brands such as Placo®, Gyproc®, Rigips® and CertainTeed®, the ranges of traditional and light plaster products hold significant market shares in both developed countries and emerging markets.

Identified reserves at our 75 gypsum quarries represent several decades of production at current extraction rates. We also use large quantities of synthetic gypsum and have set up plasterboard recycling systems to expand our sources of raw material.

The Gypsum Division's strategic objectives are to:

- Achieve profitable growth by investing in equipment and resources to bolster its worldwide leadership position.
- Leverage research capabilities to drive product development and showcase high value-added systems.
- Set up production facilities in emerging countries to keep pace with expansion in local construction markets, particularly in Eastern Europe, North Africa and Asia.
- Continue implementing programs to enhance the performance of manufacturing infrastructure, cut costs and reduce energy consumption.
- Generate further synergies with the Insulation and Industrial Mortars Divisions.

Insulation

The Insulation Division provides a range of solutions involving glass wool made using the TEL process, rock wool and expanded polystyrene foam (EPS). It helps to keep buildings warm and quiet with increasingly energy-efficient solutions marketed worldwide under the Isover® brand and in the United States under the CertainTeed® brand.

[1] Source Saint-Gobain.

Insulation products are made from mineral wool or foam and are supplied as panels, rolls, loose wool and cylinders. The main applications are in the building and renovation industries, for roof, wall and floor insulation or to reduce energy consumption and noise. Many countries have tightened up their thermal and acoustic insulation standards in the construction industry, providing a springboard for growth in these market segments.

In addition to these building and renovation applications, the Division also supplies technical insulation solutions for highly complex industrial facilities, as well as products for niche sectors such as soil-less (hydroponic) cultivation.

With 10,000 employees worldwide, the Division insulates one in three houses in Europe and one in five in the United States. It ranks number one worldwide[1] in mineral-wool insulation products, and has operations in all five continents, either as a direct producer or via licensees.

The Insulation Division's strategic objectives are to:

- Extend Isover's leadership in mineral wool insulation through technological innovation and the development of cutting edge systems and products, particularly for the renovation market.
- Build a comprehensive insulation offering, by incorporating the expanded polystyrene foam (EPS) products previously managed by the Gypsum Division.
- Establish a strong local presence by promoting transfers of technical, commercial and marketing expertise between subsidiaries in order to respond more effectively to each market's needs.
- Promote the use of mineral-wool insulation as an effective response to environmental and sustainable building concerns.
- Actively contribute to sustainable development, by enhancing the environmental performance of its products and manufacturing facilities.

Exterior Solutions

Exterior Fittings

CertainTeed, the Group's Exterior Fittings brand, is a leading player in the US habitat and construction market, with a comprehensive array of products designed specifically for American-style homes. The roofing line-up consists of top-of-the-line asphalt shingles available in a wide range of styles and colors, while for exterior walls, CertainTeed offers a broad selection of easy-to-maintain vinyl and fiber cement siding that combine beauty and durability. Other exterior products for the homebuilding and renovation market include vinyl fences, railings and decks.

CertainTeed also manufactures vinyl pipes and fittings for water supply and drainage systems, and pipe systems for industrial, mining, irrigation and pressurized drilling applications.

The Exterior Fittings business's strategic objectives are to:

- Extend CertainTeed's leadership of the US market.
- Become the benchmark supplier of innovative construction products and systems.
- Broaden the product range and develop new distribution channels.
- Contribute actively to sustainable development by enhancing the environmental profile of its plants and products.

Industrial Mortars

The Industrial Mortars business, conducted under the Weber® brand, extended its market leadership in early 2008 with the acquisition of Maxit. The world's largest industrial mortar producer[1], Weber is also ranked No.1 worldwide for tile adhesives and grouting, and No.1 in Europe for exterior wall insulation systems and flooring systems. It is present across four continents and has production facilities in thirty-five countries.

Industrial Mortars comprises three business lines:

- Industrial mortars, marketed under the Weber global brand
- Expanded clay pellets, mainly sold under the Leca® brand
- Site and plant equipment, supplied through m-tec.

Weber offers a comprehensive line-up of exterior wall decoration, protection and insulation solutions, products and services for the residential, commercial and industrial building and renovation markets.

The mortars are available in a wide range of colors and surface effects with a choice of technical functions, such as insulation, repair and damp-proofing of exterior walls. In Europe, the offer is adapted to each local market, in terms not only of insulating performance but also of architectural styles and the general environment.

Weber's tiling products for the building and renovation markets represent safe, easy-to-implement solutions based on local tiling techniques. They comprise cement and resin-based adhesives and grouting for fixing all types of tiles on all types of surfaces, and for decorative and technical joints.

[1] Source Saint-Gobain.

Flooring solutions are designed for a wide range of applications, such as new or renovated concrete toppings, screed to create a level base for other flooring, and colored mortars for a decorative effect. The line-up also includes technical products for high traffic areas such as shopping malls or for applications that pose specific technical challenges, such as underfloor heating systems.

The construction mortars offer comprises a full range of technical mortars for repair, sealing, blocking, pointing, renovation and waterproofing applications.

By providing practical solutions to problems routinely encountered during construction and renovation projects, they help to smooth the workflow and make life a lot easier for the project manager.

Lastly, to ensure that all the needs of building and renovation contractors are met, from construction to finishing, Weber also markets a range of masonry construction and assembly products and a selection of interior wall renders.

Leca® supplies expanded clay pellets for use in road construction and civil engineering projects as well as in light concrete and mortars, reducing the weight of materials handled and used on construction sites.

Lastly, m-tec, which is managed on a stand-alone basis, offers turnkey solutions to on-site mortar needs, including plants, logistics systems, mobile silos, mixing, pumping and conveyor systems.

Pipe

Leveraging its more than 150 years' experience of the water supply market, the Pipe Division offers comprehensive solutions that meet the most exacting specifications. Customers choose PAM for the durability, ease of installation, performance and reliability of its products and services, the depth and breadth of its offer and its increasing use of recyclable materials.

The Pipe Division designs and sells:

- Complete ductile cast iron drinking water, irrigation, sanitation and rainwater drainage pipe systems.
- Pipe systems for industrial utility and process circuits.
- Fire sprinkler systems.
- Valves, sprinklers and connectors for water, sanitation, sprinkler and irrigation systems.
- Complete cast iron wastewater and rainwater drainage pipe systems for the building industry.
- Ductile cast iron and steel municipal castings.

With a view to ensuring a local footprint, the Pipe Division is organized internationally around three units, Water & Purification Systems, Roadwork & Utilities and Construction.

The Division ranks No.1 worldwide[1] for the production and marketing of ductile cast iron pipe systems and No.1 in Europe for roadwork and utilities and cast iron wastewater drainage systems.

The Pipe business has a global presence, selling its products and services in 129 countries in 2008 from manufacturing bases in France, Germany, Spain, the United Kingdom, Italy and Brazil as well as from recently opened plants in China, the Czech Republic and South Africa. In major world markets, the Division deploys high level expertise supported by an extremely efficient organization to deliver complex, large-scale systems to the most demanding customers, often within a very short timeframe.

(1) Source Saint-Gobain.

Construction Products

Businesses and Products	Main Applications	Main Competitors[1]	Competitive Ranking[1]
Interior Solutions			
Gypsum • Plasterboard • Plaster: construction plaster and other specialty plasters • Other building materials: EPS insulation, fastening systems • Ceiling tiles	• Partitions, ceilings and flooring for residential and non-residential buildings • Interior thermal insulation • Soundproofing solutions • Interior decoration • Fire protection solutions • Ceramic and metal moldings	• Lafarge (France) • Knauf (Germany) • USG (United States) • National Gypsum (United States) • Georgia Pacific (United States) • Yoshino (Japan) • BNBM/Tahe (China)	• World leader
Insulation • Glass wool • Rock wool • Soundproof ceilings • Insulating foam • Metal frames and ceilings	• Thermal and acoustic building insulation, technical installations, rolling stock • Hydroponic cultivation	• Owens Corning (United States, China) • Johns Manville (United States) • Rockwool (Europe) • URSA (Europe) • Knauf (Germany) • Armstrong (United States, Europe)	• World leader
Exterior Solutions			
Exterior Fittings • Siding, windows • Vinyl fences, railings, decks • Asphalt roofing shingles	• Individual homes • Newbuild and renovation markets	• Owens Corning (United States) • GAF (United States) • Trex (United States) • LP (United States) • Ply Gem (United States) • James Hardie (United States) • Fortune Brands (United States)	• No. 2 in the United States for siding • No.2 in the United States for roofing shingles
Pipe • Complete piping systems in ductile cast iron, pipe fittings in any material • Ductile cast iron and steel manhole covers • Complete wastewater and rainwater drainage systems for the construction industry	• Drinking water systems • Irrigation • Sewerage systems • Sprinkler systems • Rainwater drainage • Utility access (manholes) • Building pipe systems	• US Pipe (United States) • Mac Wane (United States) • Kubota (Japan) • Xinxing (China) • Buderus (Germany) • Tyco (United States) • East Jordan/Norinco (United States/France)	• World leader in ductile cast iron pipe • European leader in ductile cast iron roadwork components • European leader in cast iron components for the building industry
Industrial Mortars • Wall rendering products • Tile adhesive and grouting • Flooring screed • Technical mortars • Interior rendering • Masonry mortar • Expanded clay aggregate	• Exterior wall decoration and protection • Exterior thermal insulation • Stonework renovation • Tile fixing • Decorative and technical pointing • Tile cleaning and protection • Concrete toppings and leveling covering • Technical and decorative flooring • Building waterproofing • Concrete repairs • Masonry building and finishing • Expanded clay pellets Civil engineering and highway bedding solutions	• Degussa (Germany) • Mapei (Italy) • Sto (Germany) • Materis (France) • Sika (Switzerland) • Baumit (Austria) • Ardex (Germany)	• World leader

[1] Source Saint-Gobain.

Building Distribution

Saint-Gobain's Building Distribution Sector is Europe's leading distributor of building materials and the world's leading distributor of ceramic tiles[1], serving the building, renovation and interior decoration markets. Its customers include builders, architects, interior decorators and DIY enthusiasts.

Since it was founded in 1996, the Sector has expanded rapidly through a combination of organic and external growth. The acquisition process began in France, with Point.P and Lapeyre, and continued in the United Kingdom, with Jewson and Graham, Germany, the Netherlands and Eastern Europe, with Raab Karcher, the Nordic countries with Dahl and Optimera, and the United States, where the acquisition of Norandex has taken the business to a new level. In 2008, the Sector continued to consolidate its network through bolt-on acquisitions and by opening new sales outlets, while also extending its geographic footprint with the acquisition of DLH in Denmark and Famar Desi in the Baltic countries.

A unique European network

With over 4,200 outlets in 27 countries, the Building Distribution Sector boasts a unique European network. Its success is rooted in the diversity and strategic fit of its banners. Each of these has its own specific features and market position, whether geared to building professionals or DIY enthusiasts, contributing to the marketing strength of the network as a whole while meeting the needs of local markets. This organization creates a strong growth dynamic by promoting the development of a particularly abundant product offer that is tailored to the various customer profiles and reflects their needs and expectations in terms of products, services, styles and trends.

French market leader[1] Point.P primarily targets building professionals through a highly decentralized structure. Its network of 1,820 outlets is organized around general and specialist banners. For example, Point.P Matériaux de Construction is a traditional builders' merchant, while Cedeo, Dupont Sanitaire Chauffage and Sem Angles specialize in plumbing and HVAC supplies, SFIC is an insulation and interior fittings merchant, Asturienne is a roofing merchant, Point.P Travaux Publics serves the public works market, Dubois Matériaux is a timber and insulation merchant, and Pum Plastiques sells plastic pipes and related products for water and wastewater networks. Together, Point.P and its various banners cover all segments of the building and renovation markets in France.

Lapeyre specializes in home improvements, covering four main product areas: fitted kitchens, fitted bathrooms, interior building solutions, and external joinery. It primarily serves the DIY market. In addition to an extensive presence in France, Lapeyre also has operations in Belgium and Switzerland, as well as in Brazil under the Telhanorte banner and in Argentina under the Barugel banner. In all, the network comprises a total of 192 stores with showroom areas of up to 4,000 sq.m.

In the United Kingdom and Ireland, the Sector is the second largest building materials distributor[1], with a network of over 930 outlets split between general and specialized banners. The two main banners are Jewson, a builders' merchant, and Graham, a plumbers' merchant. Both are currently expanding their positions by acquiring existing stores and opening new ones.

Raab Karcher is the leading builders' merchant in Germany, Hungary and the Czech Republic[1]. and it is also present in the Netherlands and Poland. In 2008, the Sector expanded its presence in Eastern Germany with the acquisition of Sporkenbach, and in the interior fittings market by acquiring BR Holding. Over 480 sales outlets now operate under the Raab Karcher banner.

Dahl is the foremost distributor[1] of plumbing and heating products in the Nordic countries, with a network of over 310 sales outlets spanning Sweden, Denmark, Norway,

[1] Source Saint-Gobain.

Finland, Estonia, Lithuania and Poland, primarily serving trade customers. Optimera, which has 147 outlets, is Norway's third largest builders' merchant[1] (and the market leader[1] excluding franchise chains) and a major player in the Swedish builders' merchant market.

In Switzerland, Sanitas Troesch is the leading plumbers' merchant and the second largest supplier of kitchen units[1].

The Sector is continuing to expand in Southern Europe, building on its established presence in Spain and Portugal under the Point.P and Distriplac banners. In 2008, it acquired Can Prunera in the Catalonia region, and Sanigrif, a plumbing and heating distributor in the Levante region of Spain, raising the total network to 125 outlets.

In the United States, the Sector holds a significant position in the specialist builders' merchant market through Meyer Decorative Surfaces, a distributor of laminate, and the Norandex network of 155 outlets specialized in siding and other exterior products.

In France, La Plateforme du Bâtiment is geared to helping small building firms in urban areas to save time and money. It operates according to the cash-and-carry principle, offering a selected range of items under the same roof, guaranteed to always be in stock at competitive prices all year round. Launched in 1998, there are now La Plateforme du Bâtiment outlets in all major French cities, along with local versions of the concept in Poland, Hungary, Spain, Brazil, Germany and Italy. Today, the network comprises 76 outlets in eight countries.

In 2006, the Sector launched Aquamondo, a new specialist bathroom retailer. Targeted at the home-owner market, Aquamondo already has five stores in France and one in Spain.

The Building Distribution Sector promotes synergies between its banners through expertise-sharing, while ensuring that each banner retains its individuality. Examples of this approach include creating cross-functional departments, harmonizing product ranges, rolling out innovative sales concepts and new services, generating synergies in logistics, forging partnerships with the best suppliers, setting up a common IT platform and encouraging staff mobility. Leveraging the power of its network and the responsiveness of each banner's teams, the Sector intends to push ahead with expansion in Europe and beyond.

Building Distribution

Businesses and Products	Main Applications	Main Competitors[1]	Competitive Ranking[1]
• Distribution of construction materials for the newbuild and renovation markets • Industrial joinery	• Individual and collective housing market • Home fittings: fitted kitchens, doors and windows, fitted bathrooms, heating systems	• Wolseley (United Kingdom/France) • CRH (United Kingdom/ Netherlands/France/ Switzerland) • Travis Perkins (United Kingdom) • SIG (United Kingdom, France, Germany, Netherlands, Poland) • Grafton (United Kingdom, Ireland) • BSS (United Kingdom)	• European leader in building materials distribution and worldwide leader in tile distribution

[1] Source Saint-Gobain.

Packaging

Saint-Gobain Packaging ranks No.2 worldwide[1] in glass containers, with sales operations in forty-six countries and manufacturing facilities in twelve.

The Sector offers its 20,000 customers the power of a global network of six Research and Development centers, 49 glass plants and 98 glass furnaces, allied with a local marketing presence in what is still an essentially regional market. In 2008, the Sector had 15,500 employees and produced 26.2 billion bottles and jars.

Following the sale of its plastic pumps business in 2006 and its flasks operations in 2007, the Sector has completely refocused on its core areas of excellence – wine, champagne and spirits bottles and food jars (for baby foods, soluble products, yogurts, desserts, etc.). Saint-Gobain is a world leader[1] in these markets, a position that is supported by its strong regional footprint. The Sector also operates in other segments of the food and beverages industry, supplying glass containers for such products as fruit juices, soft drinks, mineral water and oil.

In recent years, we have been pursuing an ambitious acquisitions strategy to partner our multinational packaging customers in their international expansion, starting in Eastern Europe (Ukraine and Russia) in 2005.

In 2006, we strengthened our presence in Latin America and in the wine bottle market, by acquiring a majority stake in Chile-based SG Envases, whose glass plant came on stream in October 2007. Then in 2008, we acquired a controlling interest in Kamyshinsky Steklotarny, a Russian manufacturer of clear glass bottles and jars for the food industry.

The Sector's design capabilities and decoration skills, allied with its versatile manufacturing base, the proximity of its plants to customers' production facilities, and its strong commitment to customer service have propelled it to the position of co-leader of the European market, No.2 player in the United States and leader or co-leader of each of its market segments.

All of its Research and Development programs have a strong environmental focus and its business strategy is built around sustainable development targets underpinned by core social responsibility and environmental values. For example, research has been conducted into glassmaking processes, glass materials and eco-designed bottles and jars to reduce CO_2 emissions during the production process to virtually nothing. This research into the entire product life cycle, including recycling (because all

[1] Source Saint-Gobain.

recovered glass can be recycled indefinitely) is in line with our philosophy and enables us to offer customers a product that strengthens their ties with end-users. In 2008, the glass industry received an award for developing a technique to automatically sort glass by color and an Environment and Resource Recovery (ECOVA) project was launched, leading in the first year to the creation of optimized, eco-designed wine bottles.

Glass is a pure, neutral material that protects and enhances contents without altering them and that is 100% recyclable forever. To enable customers to capture all the value of these unrivalled properties, we are strategically committed to helping them co-develop new products, by carefully and flexibly responding to their specific needs and specifications and by delivering superior quality and extensive support services.

Packaging

Businesses and Products	Main Applications	Main Competitors[1]	Competitive Ranking[1]
• Glass bottles and jars	• Packaging for foodstuffs & beverages	• Owens Illinois (United States, Europe, Asia, Latin America) • Anchor Glass (United States) • Ardagh (Europe) • Vetropack (Europe) • Vidrala (Europe) • Sisecam (Turkey)	• World co-leader in all business segments

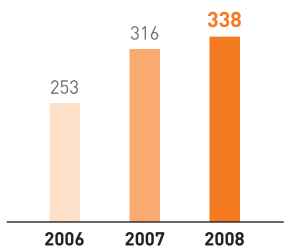
[1] Source Saint-Gobain.

A research and innovation-led strategy

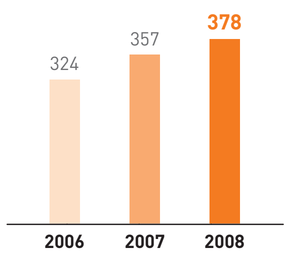
For several years now, Saint-Gobain has been engaged in an innovation-led process of strategic refocusing on the habitat and construction market. With a steadily increasing Research and Development budget (up 34% in four years, including the effect of changes in consolidation scope), we have chosen to pursue a strategy of embracing the markets of the future. This has meant pinpointing and directing resources towards the most promising targets. We conduct both strategic projects and cross-functional programs designed to increase synergies between our various businesses. We also cooperate actively with internationally recognized organizations and universities to prepare and promote the hiring of young talents. Lastly, as well as partnering promising start-ups, in 2008 we set up an Innovation Habitat Committee to encourage the research and development teams and the new Corporate Marketing Department to work together on the innovation pipeline.

The Group's increased investment in Research and Development has also led to a steady rise in the number of patent applications filed in recent years. In 2008, 80% of the 338 filings concerned the Innovative Materials Sector and were spread more or less evenly between the High-Performance Materials Division and the Flat Glass Division. Saint-Gobain has around 20,000 current patents worldwide.

Number of patent applications filed



Research and Development budget (in € millions, based on a comparable consolidation scope and constant exchange rates)



Strategic projects

At the forefront of our research programs are groundbreaking projects designed to meet the needs of new markets. Several of these projects were continued or speeded up in 2008.

- Photovoltaics: research into this area was massively ramped up in 2008. The classification of these projects and of future manufacturing targets is aligned with the market's value chain (extra clear external glass, layer glass, thin-layer technology). The installation of solar panels on new buildings is also being promoted through increased cooperation with promising start-ups and through the partnership strategy being pursued by the new dedicated subsidiary, Saint-Gobain Solar.

- Lighting: considerable advances have been made in this area, with a new sapphire substrate manufacturing technique now being actively trialed. At the same time, strategic partnerships are being established in the promising area of organic light-emitting diodes (OLED).

- Polymer films: the quality of co-extruded products has improved significantly. The target markets are the building and photovoltaic cell markets.

- High-performance insulation: several product objectives have been identified. The Insulation Division's acquisition of a stake in Japan's MAG has given us access to the technology used to manufacture the very fine glass fibers used in vacuum insulation panels (VIP). The various exterior insulation projects have been combined within the Group's broad Innovation Habitat program (see below).

- Diesel particulate filters: research into this area has been realigned to take account of the significant economic changes in the market and competition from alternative materials. An accelerated program has been launched in response to the changed environment.

- Fuel cells: the solid oxide fuel cells (SOFCs) project led to major technical advances during the year. The aim is to validate an approach that allows us to meet our cost and reliability targets, and then to set up the first partnerships in SOFC markets such as combined heat and power-generating boilers.

Cross-functional programs

Seven cross-functional programs were pursued or developed in 2008.

Progress was made on all fronts under the "New Bonding Agents" program (designed to develop an alternative to traditional products), and there is now a good chance of a bonding agent being brought to market as part of a Saint-Gobain-developed solution.

The "Germ-free Surfaces" program is now fully up and running and will allow us to swiftly align existing solutions with the specifications of the antimicrobial resistance directive and the REACH directive.

Advances were made during the year under the "Innovative Furnace and Glass" program to reduce energy consumption and CO_2 emissions. Research has thrown up several promising solutions, including improved melting techniques and better use of the energy produced during the cycle. A new possibility is also being explored, consisting of the use of synthetic gas obtained from biomass.

Work under the "Physico-Chemical Properties of Building Materials" program has led to the identification of research areas to be stepped up or developed in the various businesses concerned. For example, several research projects on the formulation of cement applications concern the Industrial Mortars business, the Exterior Fittings business in the United States and Brazil, the Pipe business and Point.P. In light of the importance of this issue, it will be the subject of a specific program.

The new "Acoustic" program got off to a rapid start, with potential benefits for several businesses, including Gypsum, Industrial Mortars, Flat Glass and Textile Solutions. For example, a high-performance sound absorbing plasterboard has been developed for the Gypsum Division.

Three new cross-functional programs will be launched in 2009, dealing with "Fire Prevention Solutions", "Formulation of Cement Applications" and "Building Skin Thermodynamics".

International Research and Development cooperation programs

Several new partners joined the Saint-Gobain University Network (SUN) in 2008. A formal agreement was signed with the Indian Institute of Technology in Madras, the contract with Harvard University was renewed to include a new research topic, and initiatives were launched with the Massachusetts Institute of Technology (MIT) and the University of California. However, the highlight of the year was the signature of an agreement with Japan's National Institute for Materials Science in Tsukuba. Saint-Gobain is only the second non-Japanese company to be given the opportunity to cooperate with this prestigious establishment, after Rolls Royce. Lecturer and student exchanges have already taken place within the SUN network, through the Ecole Supérieure de Physique et de Chimie Industrielles (ESPCI) / École Polytechnique chair created last year.

Partnerships with promising start-ups

The initial objective set with the NOVA External Venturing team in 2007 has been comfortably met. After a period devoted to identifying and selecting promising start-ups, we looked at ways of supporting them. A total of ten agreements have now been signed, covering arrangements ranging from joint research partnerships (with Brochier, Bluglass, Solaria and SRS) to integration of the start-up into an existing business (case of Green Glue) and marketing partnerships (with Apex and Systaic). New start-ups are regularly being identified and our growing experience of negotiating mutually beneficial agreements is helping to reduce the time taken for the partnerships to come to fruition.

The "Innovation Habitat" program

Following on from the creation of mixed Research and Development and Marketing teams in 2007, last year was devoted to structuring the habitat and construction and renovation businesses. The new Innovation Habitat Committee made up of these businesses' Research and Development and Marketing directors provided a forum for the joint development of an original innovation portfolio model. Research was launched into different construction techniques and the related insulation methods, in cooperation with the Strategic Planning department. With the help of the Techno-Marketing team, an overview of the markets in the main countries was developed using all the data collected by the various businesses. The approach's benefits were validated by the newly created Corporate Marketing Department, putting the coordination process on a truly professional footing. In future, meetings of the Innovation Habitat Committee will be co-chaired by Corporate Marketing. The first topic addressed in 2009 will be exterior insulation methods. In the same spirit, an Innovation Habitat Newsletter has been launched, with the first three issues published in 2008. The newsletter's aim is to inform and enthuse the entire Innovation community (particularly Research and Development and Marketing). Going forward, it will be managed jointly with the new Corporate Marketing Department.

2008 Management report

2008 results dampened by the financial and economic crisis

Despite last year's difficult economic environment, which worsened considerably in the fourth quarter, Saint-Gobain reported results in line with the revised targets announced at the end of October, after two successive years of record earnings in 2006 and 2007. Sales held firm compared with 2007 on a reported basis and rose 3.7% at constant exchange rates, while the decline in operating income and recurring net income remained in the single digits excluding the currency effect, at 9.1% and 9.5% respectively[1].

Markets and economic environment

The crisis that spread throughout the planet in 2008 was unprecedented in its breadth – affecting all economic sectors and all countries – and its depth. The financial crisis that was the root cause of the downturn in the economy and the markets worsened considerably in the last three months of the year, while the economic crisis took on a global dimension, triggering the collapse of the automobile market, a further decline in the US construction market which was already showing serious signs of weakness in the first half, and a continued loss of momentum in the construction markets in Eastern and Western Europe. The contagion spread to all emerging economies, causing their growth rates to slow. The United States and the United Kingdom fell into recession. With the credit crunch, transactions all but dried up, leading the Group to suspend the sale of its Packaging business.

In this very difficult environment, Saint-Gobain reported organic sales growth of 0.3%, reflecting a satisfactory performance in the first nine months with sales up 2.4% (including a 3.3% positive price effect and a 0.9% negative volume effect) followed by an abrupt downturn in the fourth quarter (with a negative volume effect of 9.3%). Sales prices held up well throughout 2008, including the fourth quarter, rising by an average 3.4% over the year. The Group responded swiftly to the crisis by launching a raft of energetic measures to address its effects. In addition to pricing measures, the programs already underway to cut costs and re-align manufacturing resources were speeded up and extended. Cost savings for the year came in at €400 million, compared with an initial target of €300 million, helped by the rapid adjustment of production capacity. Many plants, production lines and sales units were closed, particularly in the Flat Glass Division in Europe, and the Construction Products and Building Distribution Sectors. These closures led to the elimination of 8,000 jobs compared with the 4,000 originally planned, generating €190 million in restructuring costs.

The Group's response to the crisis also included keeping a close watch over cash flow and the balance sheet. A policy of strict financial discipline was introduced. Capital expenditure was cut by 5.5% over the year and by 12% in the second half, helping to keep free cash flow[2] at over €1.3 billion, with all Sectors making a positive contribution.

Operating working capital also continued to improve, with a two-day reduction in the cash conversion cycle that was already very short, and capital employed ratios were very satisfactory, with ROI at 20.9% and total ROCE at 12%. In the period between September 2008 and January 2009, €1.75 billion was raised through two bond issues, ensuring that the Group has the necessary financing for its future needs.

Operating results by business segment

The downturn described above affected all of the Group's Sectors except for Packaging.

In particular, the habitat and construction businesses in Europe – primarily Flat Glass, Building Distribution and Interior Solutions – were hit by the accelerating decline in the UK and Spanish markets and softer growth in other markets.

Innovative Materials sales grew 1.3% like-for-like over the year despite a 7.8% fall in the fourth quarter triggered by the sharp contraction in the automobile market and the worsening global economic environment. The Sector's operating margin improved to 12.9% in 2008 from 12.6% the previous year.

- **The Flat Glass** Division ended the year with like-for-like sales up 1%, reflecting 4.5% growth over the first nine months followed by a severe 8.8% contraction in the fourth quarter that was mainly due to curtailed demand in the global automobile market. Despite a decrease in float glass prices at the year-end, the Division's average sales prices rose 2.3% over the year, sustaining operating margin at a high 12.6% compared with 12.8% in 2007.

- **The High-Performance Materials** Division experienced a sharp downturn in the fourth quarter, with sales for the period down 6.1% like-for-like, but nevertheless reported organic growth of 1.9% over the year. The strong growth dynamic over the first nine months, with sales up 4.5% like-for-like, and firm sales prices lifted operating margin to 13% from 12.3% in 2007.

Construction Products sales were up 1.4% like-for-like over the year, but down 3.3% in the fourth quarter due to softer interior fittings markets in both North America and Western Europe. The Sector's operating margin came in at 8.9% versus 11.8% in 2007.

[1] Operating income translated at average exchange rates for 2007, excluding capital gains and losses on disposals, asset write-downs, and material non-recurring provisions (see recurring net income).
[2] Free cash flow excluding disposal gains and losses, asset impairment charges and material non-recurring provision charges (including for fines imposed on the Flat Glass Division by the European Commission).

- Interior Solutions sales declined 5.0% like-for-like over the year and 9.9% in the fourth quarter, dragged down by a further deterioration in the construction markets in North America and Europe. Lower sales combined with higher energy and feedstock costs drove down operating margin to 9.6% from 14.8% in 2007.

- The Exterior Solutions Division fared a lot better, with like-for-like sales up 10.8% over the year and 6.4% in the fourth quarter. Growth was led by a sharp 10.1% rise in sales prices and sustained Pipe and Industrial Mortars volumes throughout the year. In North America, Exterior Solutions volumes contracted in the fourth quarter after rebounding strongly in the second and third quarters, as a result of a further decline in the US homebuilding market. Operating margin increased to 8.1% from 7.4% in 2007.

The Building Distribution Sector bore the full brunt of the narrowing European construction markets (particularly in the United Kingdom and Spain), which led to a 1.9% like-for-like decline in sales over the year and a 7.7% drop in the fourth quarter alone. The Sector's operating income totaled €894 million, representing 4.5% of net sales versus 5.7% in 2007.

The Packaging Sector continued to enjoy a strong growth dynamic, with like-for-like sales up 7.4% over the year and 5.8% in the fourth quarter. Excluding the divested flasks business (Desjonquères), the Sector's operating income was up 17.2%, lifting operating margin to 12.5% from 11.1% in 2007.

Operating results by geographical segment

Group sales rose by a healthy 1.9% like-for-like in France, despite a loss of momentum across most businesses in the second quarter (with growth at just 0.9%) and the fourth quarter (when sales were down 1.8%). Operating margin softened to 8.1%.

Like-for-like sales in **Other Western European** countries contracted 2.8% over the year, due to the sharp economic downturns in the United Kingdom and Spain in the second quarter, dragging down operating margin to 7.7% from 9.4% in 2007.

In **North America**, sales for the year dipped 0.9%, as the rebound observed in the third quarter gave way to a new 6.2% fall in the fourth quarter. Although operating margin declined compared with 2007, it recovered in the second half thanks to a positive price effect of 10.6% compared with 1.5% in the first half.

Sales in the **emerging countries and Asia** rose by a strong 8.5% like-for-like over the year, but the growth rate slowed to just 0.6% in the fourth quarter due to the severe economic downturn in Eastern Europe and softer economic growth in certain Asian countries. Operating margin remained high over the year, at 10.5%.

Consolidated results

Consolidated net sales rose 0.9% over the year to €43,800 million. Excluding the currency effect, the increase was 3.7%. The 3.3% positive impact of changes in scope of consolidation (divestment of Reinforcements & Composites, Flasks and Lapeyre Industrial Joinery, acquisition of Maxit and other businesses) was largely offset by the 2.7% negative currency effect, reflecting further declines in the US dollar and British pound against the euro, which trimmed €1.2 billion from sales. Like-for-like sales grew by a slight 0.3%, with the negative volume effect of 3.1% – mainly in the second half – offset by the 3.4% positive price effect.

Consolidated operating income was down 11.2% on a reported basis and 9.1% at constant exchange rates, with sharp contrasts between the first and second halves. Operating margin came in at 8.3% (11% excluding the Building Distribution Sector), versus 9.5% (12.1% excluding the Building Distribution Sector) in 2007 and 8.9% (10.9% excluding the Building Distribution Sector) in 2006.

Non-operating income and expenses represented a net expense of €710 million in 2008 versus €984 million the previous year. The total included €190 million for the industrial restructuring plans described earlier and €75 million in new provisions for CertainTeed asbestos litigation in the United States, down from €90 million in 2007. In addition, €400 million was added to the provision set aside in 2007 for the €896 million fine imposed on the Flat Glass Division by the European Commission on November 12, 2008 in respect of its automobile glass pricing practices. The Group has appealed the Commission's decision before the Luxembourg Court of First Instance. The appeal costs are also covered by the provision.

Net disposal gains (€53 million) and exceptional asset impairment charges (€180 million) represented a net expense of €127 million. The overall effect of these items was a 10.8% reduction in business income.

Net financial expense rose to €750 million from €701 million in 2007, primarily due to the increase in average net debt over the year. The average cost of net debt (of which 78% is fixed rate) edged up to 5.5% in 2008 from 5.4% the previous year. The Group's exit from the worldwide consolidated taxation agreement in 2006 and the various programs undertaken to streamline its organization (mainly by merging legal entities) had a favorable impact on the effective rate of tax on recurring income. Total income tax expense for the year came to €638 million versus €926 million in 2007.

Excluding capital gains and losses, exceptional asset impairment charges and material non-recurring provision charges (including for fines in the Flat Glass Division), recurring net income declined 9.5% to €1,914 million from €2,114 million in 2007. Based on the number of shares outstanding at December 31, 2008 recurring earnings per share was €5, down 11.5% from €5.65 in 2007. Net income attributable to equity holders of the parent contracted 7.3% to €1,378 million, while earnings per share were down 9.3% at €3.60 versus €3.97.

Capital expenditure was scaled back 5.5% over the year to €2,149 million, representing 4.9% of sales versus 5.2% in 2007. Second-half expenditure was down 12% compared with the same period of the previous year. Most of the capital projects concerned energy-saving products developed by the Innovative Materials - Flat Glass and Construction Products businesses and targeted expansion projects in emerging markets, such as the new float line in Egypt.

Cash flow from operations (excluding the increase in the provision for fines in the Flat Glass Division) contracted 6.3% to €3,524 million. Before the tax impact of capital gains and losses and asset impairment charges, the figure came to €3,487 million, down 6.1% from €3,712 million in 2007. Free cash flow – corresponding to cash flow from operations less net capital expenditure – amounted to €1,375 million, a decline of 7.7% year-on-year. Before the tax impact of capital gains and losses and asset impairment charges, free cash flow was down 7% to €1,338 million, representing 3.1% of net sales.

Financial investments totaled €2,358 million, including €1,528 million for the Maxit acquisition completed in March 2008 and €635 million for acquisitions of local merchants by the Building Distribution Sector. Expenditure was scaled back in the second half to €180 million from €652 million in the first, excluding the Maxit acquisition.

At December 31, 2008, the Group had total debt of €11,679 million, representing a gearing ratio of 80% versus 65% at the previous year-end.

Capital Expenditure and Financial Investments

Capital expenditure (excluding finance leases)

(in € millions)	2008	2007	2006
By division and business			
Innovative Materials - Flat Glass	**576**	**523**	**448**
Innovative Materials - High-Performance Materials	**223**	**238**	**225**
Ceramics & Plastics and Abrasives	200	192	161
Reinforcements	23	46	64
Construction Products	**758**	**830**	**844**
Interior Solutions	**528**	**621**	**632**
Insulation	223	199	145
Gypsum	305	422	487
Exterior Solutions	**230**	**209**	**212**
Exterior Fittings and Industrial Mortars	151	133	142
Pipe	79	76	70
Building Distribution	**291**	**353**	**315**
Packaging	**283**	**309**	**335**
Other	18	20	24
Group Total	**2,149**	**2,273**	**2,191**
By geographical segment			
France	554	536	485
Other Western European countries	682	698	749
North America	220	368	363
Emerging countries and Asia	693	671	594
Group Total	**2,149**	**2,273**	**2,191**

Financial investments

(in € millions)	Investment	Estimated full-year net sales
2008 acquisitions		
Innovative Materials - Flat Glass	**23**	**17**
Innovative Materials - High-Performance Materials	**47**	**25**
Construction Products	**1,591**	**1,322**
of which Maxit	*1,528*	*1,237*
Building Distribution	**635**	**1,111**
Packaging	**62**	**63**
Holding companies		
TOTAL acquisitions	**2,358**	**2,538**
of which in emerging countries	*229*	
2007 acquisitions		
Innovative Materials - Flat Glass	**19**	**16**
Innovative Materials - High-Performance Materials	**70**	**45**
Construction Products	**226**	**332**
Building Distribution	**582**	**1,304**
Packaging	**18**	**-**
Holding companies	50	-
TOTAL acquisitions	**965**	**1,697**
of which in emerging countries	*139*	*132*
2006 acquisitions		
Innovative Materials - Flat Glass	**14**	**-**
Innovative Materials - High-Performance Materials	**6**	**4**
Construction Products	**142**	**222**
Building Distribution	**355**	**630**
Packaging	**67**	**15**
TOTAL acquisitions	**584**	**871**
of which in emerging countries	*208*	*238*

Results by Sector

The Innovative Materials Sector

Innovative Materials sales grew 1.3% like-for-like over the year despite a 7.8% fall in the fourth quarter triggered by the sharp contraction in the automobile market and the worsening global economic environment. The Sector's operating margin improved to 12.9% in 2008 from 12.6% the previous year.

Innovative Materials Sector - Flat Glass

Contribution to the Group	2008	2007	2006
% of net sales	**13**	13	12
% of operating income	**19**	17	13
% of cash flow from operations	**21**	18	16

Key figures

(in € millions)	2008	2007	2006
Net sales	**5 549**	5 611	5 083
Operating income	**701**	717	480
Cash flow from operations	**733**	677	529
Capital expenditure(1)	**576**	523	448

2008 business review

Flat Glass sales in 2008 totaled €5.5 billion, down 1.1% on a reported basis from 2007 but up 1% like-for-like, reflecting the euro's appreciation against other currencies.

Sales of **float glass** rose 1.3% like-for-like. Unit sales to the construction industry in Europe contracted slightly year-on-year, undermined by a sharp drop in the fourth quarter, and prices also softened. However, the impact on income was partly offset by good growth in value-added products, led by an 8.3% increase in layered glass sales. Outside Europe, unit sales rose in Latin America – led by Brazil – and in Asia, although demand weakened at the end of the year.

Sales by **Les Vitrages de Saint-Gobain** in the building transformation and specialty markets were slightly above 2007 levels. Trends were uneven, with falls in Spain, the United Kingdom and Poland contrasting with resilient performances in France, Germany and most other European countries. The product mix continued to be enhanced, with the development of layered glass products and specialty products such as safety glass.

Sekurit's sales declined 4.1% on a reported basis and 3.3% like-for-like, due to sustained first-half growth in the **automobile** market giving way to a sharp dive in the last quarter. Europe was particularly badly hit, with automobile production plunging 26% compared with the same period of 2007. The other car-producing countries also experienced downturns, but to varying extents, with falls of 14% in China, 25% in Brazil and 14% in South Korea.

Flat Glass operating income held relatively firm at just over €701 million. Improved **manufacturing performance** helped to limit the consequences of low volumes and the cost inflation experienced in the first half, while the restructuring measures undertaken in 2007, particularly in South Korea and China, drove a marked improvement in the region's results. Operations in India continued to grow at a satisfactory rate.

Outlook for 2009

After the downturn observed in the automobile and habitat and construction markets in the second half of last year, the economic environment looks set to remain difficult in 2009. However, the easing of inflationary pressures on feedstock and energy costs should help to preserve margins. Priority has been given to swiftly aligning production capacity with market demand and speeding up implementation of programs to cut production costs and overheads.

In order to maintain the level of free cash-flow, routine capital expenditure will be scaled back, without however compromising future growth drivers such as solar energy solutions and intelligent glass. Despite the slowdown observed in some countries such as Spain, the solar market will play a key role in leading the development of the Flat Glass business.

Research and Development spending will remain high, to ensure that the Flat Glass Division remains at the forefront of innovation, particularly in solar energy solutions and in energy-saving solutions for the homebuilding and renovation market and the automobile market.

Innovative Materials Sector – High-Performance Materials

Contribution to the Group	2008	2007	2006
% of net sales	**10**	11	12
% of operating income	**15**	14	13
% of cash flow from operations	**12**	13	13

Key figures

(in € millions)	2008	2007	2006
Net sales	**4 165**	4 752	4 938
Operating income	**543**	585	500
Cash flow from operations	**437**	487	432
Capital expenditure(1)	**223**	238	225

(1) Excluding finance leases.
Sales data by Sector include inter-sector sales.

2008 business review

2008 sales include only €111 million in sales by the Reinforcements business which has been sold. The year-on-year change in sales that was attributable to the discontinuation of this business was a negative €630 million.

Underlying business growth remained strong until October, driving a 1.9% like-for-like increase in sales over the year.

Textile Solutions and Abrasives experienced the lowest growth rates in Western markets, due to conditions in the industrial and building segments; however, Abrasives performed well in emerging markets (India, China and Brazil).

The Performance Plastics business posted healthy growth in medical and pharmaceuticals applications as well as in textiles/films, apart from in industrial markets in the latter part of the year. The integration of recent acquisitions went smoothly, particularly UK-based Rencol, a manufacturer of tolerance rings.

The Crystals business delivered an uneven performance, with falling sales in some segments such as security applications and generally higher sales in others such as energy, aerospace and medical applications. 2008 sales by this business do not include the quartz business in the United Kingdom, which has been divested.

The Ceramics businesses were the star performers, led by refractories for the glass industry (for container glassware, flat glass for building applications and LCDs) as well as refractories for the metalworking industry and silicon carbide applications for solar energy solutions. Proppants sales benefited from the buoyant conditions in the oil exploration industry, but sales of products for the semi-conductor market were flat in the fourth quarter.

High-Performance Materials' operating margin rose slightly in 2008, helped by relatively firm sales prices and tight control of overheads and other costs.

Thanks to a disciplined approach to capital expenditure, which nevertheless included strategic projects and selected capacity extensions in emerging markets (ceramics capacity at the Palakkad plant in India, silicon carbide capacity in Bhutan, and performance plastics capacity in Mexico and China), free cash flow from operations represented the equivalent of 20% of assets.

Outlook for 2009

The slowdown experienced by most High-Performance Materials businesses in the fourth quarter of last year is expected to continue in 2009, with the energy-related businesses (particularly solar energy solutions and proppants) likely to fare better than most. Projected increases in certain feedstock prices should be offset by higher sales prices.

The priority will be to contain costs by moving forward quickly with World Class Manufacturing (WCM) programs, pooling administrative structures in order to reduce overheads and adjusting production capacity wherever necessary.

Routine capital expenditure will be particularly closely scrutinized; however, new capacity is planned in growing market segments in both developed and emerging countries.

Research and Development spend is expected to be on a par with 2008 and will concern long, medium and short-term programs to extend the business's competitive advantage.

Saint-Gobain High-Performance Materials has a number of core strengths that will help it to meet the challenges of the global crisis:

- A presence in markets where sales prices tend to track costs.
- Strong competitive positions in the majority of its businesses, backed by an excellent reputation for quality and service.
- Innovative products, such as films for photovoltaic cells, Wiresaw and refractories for LCDs.
- An increasingly diversified cost base, strengthened by recent investments in emerging economies.
- Over a third of net sales generated in the fastest growing geographic markets.

The Construction Products Sector

Construction Products sales were up 1.4% like-for-like over the year, but down 3.3% in the fourth quarter due to softer interior fittings markets in both North America and Western Europe. The Sector's operating margin for the year came in at 8.9% versus 11.8% in 2007.

Integration of newly-acquired Maxit unleashed numerous growth synergies with the Exterior Solutions and Interior Solutions (plaster, insulation) businesses, while initial targets for cost synergies were revised upwards.

Underlying sales – excluding Maxit – were more or less stable in Western Europe, despite the sharp slowdown in construction markets in some countries. The North American market continued to contract, but prices improved during the year. In emerging markets, like-for-like sales were up by nearly 12%.

The economic environment will remain unsettled in 2009, and the Sector is likely to experience a fall-off in sales due to narrowing construction markets. Priority will be given to implementing structural cost reductions and new measures will be added to the cost-cutting plan launched in 2008. Despite the challenging environment, the Sector will pursue its innovation drive and maintain research and development spending at last year's level.

Contribution to the Group	2008	2007	2006
% of net sales	**27**	26	26
% of operating income	**29**	32	37
% of cash flow from operations	**25**	28	31

Key figures

(in € millions)	2008	2007	2006
Net sales	**12,035**	11,112	10,876
Operating income	**1,070**	1,313	1,376
Cash flow from operations	**885**	1,060	1,048
Capital expenditure[1]	**758**	830	844

Interior Solutions

Interior Solutions sales declined 5.0% like-for-like over the year and 9.9% in the fourth quarter, dragged down by a further deterioration in the construction markets in North America and Europe. The lower sales combined with higher energy and feedstock costs drove down operating margin to 9.6% from 14.8% in 2007.

Gypsum

2008 business review

In 2008, the Gypsum Division experienced a significant decline in sales and operating income, due mainly to the worsening crisis in the North American homebuilding market and a sharp slowdown in Europe starting in the second quarter.

In North America, the homebuilding market continued to narrow throughout the year, leading to a further erosion of gypsum sales. However, after plummeting in 2007, sales prices bottomed out in the first half and began to recover slowly in the second.

In Europe, the fall-off in volumes accelerated during the year. During the first half, sustained growth in Eastern Europe and resilient demand in France, Benelux and Italy helped to keep sales on a par with the same period of 2007, despite the early signs of a slowdown in Spain, Ireland and the United Kingdom. In the second half, however, the slowdown gathered momentum and gradually spread to all regions. In this difficult environment, the Gypsum Division nevertheless managed to raise prices in most Western European markets, offsetting the negative impact of higher costs, particularly for energy.

Emerging markets other than Eastern Europe continued to enjoy robust growth, led by Asia and South America, although signs of a loss of momentum started to appear in the fourth quarter.

The Gypsum Division responded swiftly to the broad-based erosion of volumes by shutting down production lines and reducing the number of shifts at many plants in North America and Western Europe, in order to align capacity with demand. These re-alignment measures took into account production from the four new lines that came on stream during the year in the United States, France, Hungary and India. These lines' lower unit costs and closer proximity to our markets contributed to optimizing overall production costs.

In 2008, we kept up our strategy to obtain secure gypsum reserves, particularly in Algeria and Russia, in order to lay the foundations for future growth in these regions.

Outlook for 2009

With the decrease in building and renovation activity in the Gypsum Division's main host markets set to continue and the economic crisis spreading across the globe, the Division is likely to see a further decline in sales in 2009.

In this environment, we will focus on achieving structural cost reductions. At the same time, the innovation process will be kept up and new products will be developed in response to the emerging demands resulting from new environmental and energy efficiency standards, and to the growing needs in the renovation market.

Insulation

2008 business review

In 2008, the Insulation Division reported a significant drop in sales and operating income, caused by the worsening crisis in the US homebuilding market and a serious loss of momentum in Europe in the second half, combined with a hefty rise in factor costs.

In the United States, volumes continued to plunge and although prices stopped trending downwards at the end of the year, there were no opportunities to raise them.

In Western Europe, glass wool volumes narrowed slightly but rock wool sales increased, thanks to resilient markets in France and Germany which offset plummeting demand in Spain and Scandinavia. Limited price rises helped to offset higher factor costs (for energy, resin and coke).
In Eastern Europe, volumes fell more sharply and prices (particularly for rock wool) came under severe competitive pressure from Knauf, URSA and Rockwool.

Cost-cutting plans were implemented across the entire Division, with the closure of a plant in Ireland, changes in shift-working to scale back production output, improvements in industrial and supply chain efficiency and strict control of overheads. A new glass wool line came on stream at Gliwice in Poland, manufacturing high value-added products that will expand our offering in the local market.

(1) Excluding finance leases.
Sales data by Sector include inter-sector sales.

The Division also continued to expand its geographic reach in 2008, with the acquisition of MAG, Japan's leading glass wool manufacturer, and the successful integration of Fiberglass Colombia and Fivenglass Venezuela.

Outlook for 2009

In 2009, the Insulation Division will be faced with the challenges of a declining newbuild market in Europe and increased capacity in Central Europe.

In North America, the Division's latest acquisition – OFI – will allow it to expand significantly in Canada while generating synergies in the areas of procurement and overheads.

The main objectives for the year are to implement structural cost reductions while continuing to invest in Research and Development and innovation in order to fully leverage the opportunities offered by the renovation market and the stricter energy efficiency standards applicable to newbuilds.

Exterior Solutions

The Exterior Solutions Division reported like-for-like sales up 10.8% over the year and 6.4% in the fourth quarter. Growth was led by a sharp 10.1% rise in prices and sustained Pipe and Industrial Mortars volumes throughout the year. In North America, Exterior Solutions volumes contracted in the last three months of the year after rebounding strongly in the second and third quarters, as a result of a further decline in the US homebuilding market. Operating margin increased to 8.1% from 7.4% in 2007.

Exterior Fittings

2008 business review

In the United States, the building market began to run out of steam in 2006 and the downward trend steepened in 2008 due to the high levels of household debt and the tightening of bank lending conditions. Housing starts stood at an estimated 930,000 units, the lowest level for fifty years.

The situation was made worse by the financial crisis and its effects on the entire economy. At the same time, rising prices of crude oil and feedstocks in general severely impacted production and logistics costs at CertainTeed and its suppliers.

During the year, the industrial rationalization program went ahead according to plan, with the closure of four plants and implementation of measures to align headcount with production levels.

Despite the unfavorable environment, the Exterior Fittings business exceeded its objectives, with hurricane damage leading to increased demand for roofing products, which are primarily designed for the renovation market.

Outlook for 2009

The US economy shows no signs of recovering in 2009. Housing starts are currently very low and Exterior Fittings sales volumes are expected to plummet during the year.

Industrial Mortars

2008 business review

Overall sales by the Industrial Mortars, Expanded Clay Pellets and Site & Plant Equipment businesses were generally stable in 2008 based on a comparable scope of consolidation. Industrial Mortars sales rose slightly, thanks to sustained growth in South America and Eastern Europe.
Sales of Expanded Clay Pellets declined as a result of the business's greater sensitivity to trends in the newbuild market. The Site & Plant Equipment business also experienced a sharp drop in sales in the second half of the year.

Based on a comparable scope of consolidation and excluding purchase accounting adjustments, Industrial Mortars operating income was up slightly on 2007, reflecting the impact of cost-cutting measures in Western Europe and synergies between Weber and Maxit. Operating income reported by the Expanded Clay Pellets and Site & Plant Equipment businesses was down on the previous year, due to lower sales.

Outlook for 2009

Business volumes look set to remain on a downward path in Western Europe, particularly in the first half, and demand is also expected to soften in all emerging markets, with some countries such as Russia likely to experience a significant fall-off. Overall, the Industrial Mortars Division should hold up better in falling markets.

In response to the lack of visibility of the crisis's magnitude and its effects on the construction markets in 2009, we will step up the cost-cutting and synergy programs in this Division. These measures should help to keep operating margins at a satisfactory level in the current environment. While there will be no let-up in the drive to develop new products, in order to maintain the innovation dynamic, capital expenditure will be further scaled back in Western Europe but will remain stable in emerging markets.

Pipe

2008 business review

A combination of buoyant end-markets and a competitive product line-up enabled the Pipe Division to tap new growth opportunities in 2008. The Division delivered very good performances in emerging markets such as Brazil, Africa (with strong advances in Libya and ongoing deliveries in Mauritania and Algeria), Qatar (with a specific sanitation systems offer), China and Eastern Europe (Serbia, Slovenia and Romania).

In Western Europe, sales in Spain and Portugal held up better than expected, with Pipe sales in Spain reaching a record high, particularly for water transfer projects to help address the chronic water shortages that hit the country each year. Sales in Italy grew strongly, led by major projects in Sicily and the north of the country, while in France, municipal elections delayed pipe-laying decisions as expected. 2008 was a more difficult year in Germany and the United Kingdom, with volumes hit by public spending restrictions leading to lower investment in water networks. Lastly, the major projects delivered in Finland and Luxembourg will become future benchmarks for the quality of service provided.

With the cost of minerals, scrap metal, coke and freight rising faster than expected in the first half, we had to demonstrate high-level marketing responsiveness and apply strict pricing policies to offset the effects on operating income.

The innovation process accelerated rapidly during the year, with the ramp-up of gravity flow sanitation systems and variable angle joints as well as the launch of series production of the Ivoire® identification system for municipal castings and buried networks. The Pollutec international trade show held at the end of 2008 provided PAM with a high quality showcase for three new products: the new Blutop® range of thin-walled ductile-iron pipes available in 90mm, 110mm and 125mm diameters, the Elancio® fire hydrant housing combining elegance and efficiency and the G-TEX manhole covers with secure and easy-to-use opening and locking systems.

In China, the commissioning of a blast furnace using state-of-the-art melting technology represented a milestone in the program to improve the competitiveness of the Xuzhou plant where we have acquired total control of the second centrifugation unit. In addition, process engineering projects for new products and coatings came on stream in France during the year.

Most entities saw a reduction in headcount, except for the new marketing base in Algeria and the SEVA India engineering company.

Outlook for 2009

In light of the slowdown observed in China and Western Europe in the second half of last year, predictions concerning 2009 are necessarily conservative. The Pipe Division began the year with a substantial order book, particularly for exports to emerging markets, and the outlook is good for an easing of purchase prices for scrap metal, zinc, coke and minerals as well as for lower freight costs. Looking at the market fundamentals, China and Europe have very significant water and sanitation network needs and the Pipe Division could well benefit from any economic stimulus packages that may be decided by governments in these regions.

The Building Distribution Sector

Contribution to the Group	2008	2007	2006
% of net sales	**45**	45	42
% of operating income	**24**	27	27
% of cash flow from operations	**18**	22	24

Key figures

(in € millions)	2008	2007	2006
Net sales	**19,696**	19,480	17,581
Operating income	**894**	1,102	1,001
Cash flow from operations	**650**	825	817
Capital expenditure[1]	**291**	353	315

2008 business review

Building Distribution revenues grew by 1.1% in last year's unfavorable economic environment, despite a sharp loss of momentum in April that worsened from September onwards, driving down like-for-like sales by 1.9% over the year.

The Sector enjoyed sustained growth in most regions during the early months of the year, with the exception of Southern Europe, the United Kingdom and North America. However, the month of April saw a major slowdown in Central Europe that gradually spread to the other regions. The exception to this rule was Latin America, where like-for-like growth topped 13.1% for the year.

The Sector held firm to its external growth strategy, although financial investments were scaled back in the second half. Fifty-seven acquisitions were made, representing annual revenues of €1,111 million, with the aim of consolidating existing merchant networks.

In France, which accounts for over 42% of the Sector's revenues, business grew throughout the year. Point.P reported increased sales, led by its specialist merchants (Pum Plastiques and Cedeo) and by La Plateforme du Bâtiment. Like-for-like growth at Lapeyre France eased slightly, with the second half better than the first, mainly as a result of increased installation business and the introduction of revamped product ranges. Forty merchant outlets were acquired in France in 2008, representing annual revenues of €168 million.

In the United Kingdom, the unfavorable economic environment led to an 11.2% fall in sales based on a comparable scope of consolidation, despite solid performances by Curzon and Ashworth. Twenty-one merchant outlets were acquired in the United Kingdom during the year, representing €114 million in annual revenues.

In Germany, like-for-like sales dipped over the year. Fifteen merchant outlets were acquired, representing annual revenues of €101 million. Like-for-like sales were also slightly down in the Netherlands.

[1] Excluding finance leases.
Sales data by Sector include inter-sector sales.

In the Nordic countries, Dahl delivered an excellent performance – experiencing a downturn only in the last two months of the year – and increased its market share. At Optimera, like-for-like growth slowed in a very difficult building materials market. The external growth strategy was pursued, with sixty-one merchant outlets acquired in Scandinavia representing €567 million worth of revenues per year.

In Switzerland, Sanitas performed very well throughout the year, confirming its market leadership[1] particularly in the kitchens segment.

In Eastern Europe, like-for-like growth was on a par with 2007. La Plateforme du Bâtiment delivered a strong performance in Poland but sales weakened in the Czech Republic and Hungary.

Building Distribution sales in Spain were badly hit by the severely impaired economic environment during the year, although specialist merchants were less affected than general builders' merchants. The Sector's Italian operations had a satisfactory year.

Outside Europe, Telhanorte in Brazil and Barugel in Argentina both reported increased sales, with the outlets opened in Brazil in December getting off to a good start.

The North American building market that was an early victim of the economic crisis sank even deeper into the doldrums. The Sector expanded its position in this region in 2007 with the acquisition of Norandex.

Lastly, the Chinese market also fell victim to the crisis in 2008.

This environment led to a 1.2-point decline in the Sector's operating margin to 4.5% of sales. The fall could have been greater, had it not been for the energetic action to cut general distribution costs that was taken throughout the Sector from the second quarter on. At the same time, improved management of inventories and trade receivables drove a significant improvement in the Sector's cash flow from operations.

Outlook for 2009

The international financial crisis has led to credit restrictions as well as to deep corrections in the real estate market, and 2009 looks set to be considerably more challenging than 2008 from a macro-economic point of view. Drawing on its experience and high quality offer, the Sector has established an action plan to align its operations with the new economic environment and emerge from the crisis in the best possible shape.

The Packaging Sector

Contribution to the Group	2008	2007	2006
% of net sales	**8**	8	10
% of operating income	**12**	10	10
% of cash flow from operations	**14**	11	12

Key figures

(in € millions)	2008	2007	2006
Net sales	**3,547**	3,546	4,080
Operating income	**442**	401	376
Cash flow from operations	**510**	425	402
Capital expenditure[2]	**283**	309	335

2008 business review

The Packaging Sector's reported sales were stable year-on-year. The 2007 figure included just three months' sales by the Flasks business that was divested in March of that year, while 2008 sales included six months' contribution from Kamyshinsky Steklotarny, a Russian company consolidated from July which has annual sales of RUB 1,733 million (€48 million).

The Sector's like-for-like sales rose 7.4% to €3,610 million from €3,362 million in 2007.

The currency effect trimmed €90 million from reported sales, of which €74 million was due to the change in the dollar/euro exchange rate.

In response to a second year of highly volatile demand, the Sector deployed all available scheduling and production resources to meet the needs of its customers.

Business was buoyant during the year, particularly in Europe.

In the United States, sales grew at a satisfactory rate in local currency, primarily reflecting higher prices and improved industrial efficiency, while manufacturing optimization measures implemented under the World Class Manufacturing program helped to drive a significant improvement in operating margin.

In Latin America, strong sales growth was attributable to increased volumes and higher prices arising from improved industrial efficiency.

In all, the increase in Packaging Sector sales attests to its robust marketing dynamic, underpinned by rigorous attention to quality and an unrelenting commitment to competitive differentiation and customer satisfaction. Its objectives in the latter two areas are met through an innovative and regularly extended product range and world-class production facilities.

2008 saw a sharp rise in feedstock costs, particularly sodium carbonate, and highly volatile energy costs, the effects of which were passed on for the most part in sales prices.

In the United States, as well as in the Sector's other host countries, sales contracts include price revision clauses covering increases in factor costs and energy costs.

During the year, the rigorous policy of enhancing productivity and containing other production costs was actively pursued.

[1] Source Saint-Gobain.
[2] Excluding finance leases. Sales data by Sector include inter-sector sales.

In 2008, the Sector's operating income rose 10.2% on a reported basis and 19.8% like-for-like.

Effective management of working capital and higher cash flow from operations enabled the Sector to finance an ambitious capital-spending program based on world-class technologies and generate positive free cash flow.

Outlook for 2009

In a challenging economic environment and despite uncertainty concerning the level of consumer spending, sales should remain at a satisfactory level in 2009.

The experience gained during 2008 in meeting volatile and complex demand led to advances in production scheduling and management, as well as in manufacturing flexibility, that will drive further improvements in service quality this year.

The Sector expects to see a further rise in factor costs in 2009, particularly feedstock prices. Production output will be aligned with market demand, which should continue to grow in Eastern Europe and Latin America.

As a result, the Sector should deliver another satisfactory financial performance in 2009.

Efforts to reduce working capital will be kept up, while capital expenditure will remain on a par with 2008. The Sector will continue to invest in emerging markets and will pursue the major program to rebuild furnaces in Europe and the United States and enhance their environmental performance.

2009 outlook and action plans

The Group delivered a resilient sales and earnings performance in 2008, led by a priority focus in all our operations to raising prices, which gained an average 3.4% over the year and 3.8% in the second half. Looking ahead to 2009, visibility is still limited on energy and feedstock costs, exchange rates and the credit market. It is reasonable to expect a broad-based decline in our main markets, particularly in Europe, especially considering the high basis of comparison in the first half, and it is still not clear when and to what extent the various recovery plans will start to have an effect.

We nevertheless have a certain number of important strengths that will help us overcome these challenges. First, governments around the world are giving priority to supporting the construction industry, particularly through the introduction of stricter renovation and energy efficiency standards. This process is underway in all of the geographies where Saint-Gobain has a strong presence. In France, for example, considerable short-term support will be offered for both newbuild and renovation projects in the residential and non-residential segments, as part of a long-term government strategy built around the Grenelle Environmental Summit Act, stepped-up public spending and a focus on building insulation solutions. Our portfolio of businesses and solutions positions us at the focal point of plans to kick-start the homebuilding and renovation markets, with around 30% of our sales and some 40% of operating income derived from energy-saving markets and applications. In addition, while the newbuild market accounts for 34% of revenues, the considerably less cyclical renovation market accounts for 36%, representing an ideal profile for confronting the current crisis.

To reap the benefits of this strategic positioning in a challenging environment, we will step up the initiatives launched in 2008 and focus on preparing the future. On the operations side, the current cost management programs will be expanded, with a sustained commitment to price integrity and the roll-out of new cost-cutting measures, targeting cumulative savings of €1 billion over the period 2008-2009 from both business-specific and cross-functional programs. Continued disciplined cash flow management should ensure that free cash flow from operations remains high, helped by a roughly €500 million reduction in capital expenditure compared with 2008, a temporary freeze on acquisitions and continued implementation of small or medium-sized divestment projects. Further efforts will also be made to contain and reduce working capital to below 40 days.

To preserve cash, our dividend policy will be aligned with the circumstances. We have already responded pro-actively to the crisis and increased our financial flexibility by launching a €1.5 billion rights issue in February 2009. The proceeds are being used to support the operational measures taken to arm the Group to ride out the crisis. In particular, we will continue to invest in Research and Development in the strategic energy efficiency and environmental sectors, as well as in the most promising strategic projects. We will follow a selective growth strategy in emerging markets, which we hope will account for around one-third of net sales by 2010, and will hold firm to our ambitious plans in the solar energy solutions market, in order to leverage our exceptional strengths in this area.

Sustainable development

Sustainable development, at the heart of the Group's strategy

Sustainable development is central to our strategy at Saint-Gobain and is a crucial issue for the Group.

Leader in the habitat and construction markets, the Group offers innovative and efficient solutions to the challenges of saving energy and protecting the environment. Such solutions include low emissivity glass, which helps to reduce heat loss while allowing rooms to be warmed by direct sunshine, combined glass wool and plasterboard insulation products, and solar panels offering an alternative energy source.

Our Research and Development teams are working on further energy-saving solutions for the future, such as more energy efficient lighting systems, and fuel cells for generating electricity and heating water in the home.

Considering our strategic positioning in these markets, it is essential that our sustainable development performance is beyond reproach. Rather than simply complying with regulations, we take a highly committed stance on minimizing the environmental impact of our processes, protecting the health and safety of our employees, and making proper allowance for labor and social issues in all our business activities.

A cross-functional approach

Sustainable development initiatives are organized on a cross-functional basis and coordinated by Compagnie de Saint-Gobain. One of the main topics discussed at last September's annual senior management seminar attended by the 150 top executives in the Group was our response to the challenges of environmental protection and corporate social responsibility. This highlights the pride of place given to sustainable development at Saint-Gobain. The approach is based first and foremost on close cooperation between several departments:

- The **Environment, Health and Safety (EHS) Department**, which oversees and monitors employee health and safety in the workplace and environmental compliance at all Group facilities worldwide. The department also works with the Research Department, the Corporate Marketing Department and the Sectors to ensure that sustainable development considerations are taken into account in the Group's products and solutions.
- The **Employee Relations, Training and Executive Career Management units** support the Group's development by providing the skill-sets that best match its needs, while responding to the aspirations of employees.
- The **Responsible Development Department** issues the Principles of Conduct and Action, and educates employees on their application. It also works with the divisions, businesses or regions on rolling down the Principles to reflect local situations.

These departments are supported by robust networks within the various businesses and regions, helping to guarantee a consistent approach to responsible and sustainable development, both at global level and within each entity, where it is tailored to local circumstances.

Sustainable development guidelines

Our business model is based on a set of strong internal values backed by publicly-stated sustainable development commitments.

These commitments are set out in Saint-Gobain's **Principles of Conduct and Action**, which were drawn up in 2003 as a formal expression of the values that guide and inspire the Group.

The values of professional commitment, respect for others, integrity, loyalty and solidarity represent a unifying force and shape the conduct of each and every member of Saint-Gobain, from senior management down to junior staff.

Respect for the law, the environment, worker health and safety and employee rights guide the actions of all executives and employees in the performance of their duties.

The Principles explicitly refer to International Labor Organization («ILO») conventions, OECD guiding principles and the OECD Anti-bribery Convention (*see section IV for more information*). They require subsidiaries to "actively protect the environment" and to "take all necessary measures to meet the highest standards of workplace health and safety" for employees and for contractors working on our sites.

The Principles have been rolled down in the **Environment, Health and Safety** ("EHS") policy, which is based on respect for individuals and their environment. The Group's commitment to these EHS principles was reaffirmed by the Chief Executive Officer in a letter to all employees published in the March 2008 issue of the in-house magazine, *The Month*.

The EHS policy encourages all employees to work towards meeting the objectives of zero work-related accidents, zero occupational illnesses and zero non-recovered waste. These objectives are listed in a charter displayed at all of our facilities and currently translated into 34 languages.

OUR COMMITMENTS

In 2003, we demonstrated our responsible and sustainable development approach by pledging to support the **United Nations Global Compact** and undertaking to comply with the Compact's ten principles in the areas of human rights, labor standards, the environment and anti-corruption.

This commitment was taken a step further on December 10, 2008 – the 60th anniversary of the **Universal Declaration of Human Rights** – with the signature by Pierre-André de Chalendar of the declaration of management support for human rights, an initiative organized by the United Nations.

How this section is organized

The table below presents a broad outline of the Group's sustainable development challenges.

The first part of the section then goes on to discuss Saint-Gobain products and solutions that contribute to sustainable development, while the second part sets out our commitments on environment, health and safety issues.

The last two sections examine the Group's values, its Human resources development and corporate social responsibility model.

Indicators mentioned in the text are listed in a table at the end of the section, along with details of the methodology used to collect and compile the data.

Challenges, achievements and outlook

As a first step towards integrating sustainable development concerns into our strategy, we have identified a number of challenges in the areas of environmental protection, Human resources development, corporate social responsibility and business practices. Guided by the Group Principles of Conduct and Action, which serve as a blueprint for all employees, we have defined policies and action plans to address these issues. The table below summarizes our priority challenges, which are described in greater detail in the main body of the text.

Environment

Challenges	Action taken	Page	Outlook and future initiatives
Reduce CO_2 emissions: **- In our operating processes**	• Research into furnace design for improved energy efficiency • Recycling of secondary raw materials • Selection of the most appropriate energy source • Combustion settings for glass furnaces • Definition of CO_2 emissions reduction targets for each Division by 2010 • Dissemination of a Suppliers Charter currently underway, to remind suppliers of the importance of sustainable development for the Group	56	• A 6% reduction in emissions by 2010 at "concerned sites", based on 2007 production output (see Reporting Methodology) • *Bilan Carbone*™ energy assessment at subsidiaries in France launched in 2009
- Through our products	• Construction industry: insulation products • Renewable energy: solar energy, etc. • Vehicles: automobile glass, particulate filters, lighter auto body parts, etc. • Photovoltaic cell production facility with Shell • Incorporation of an EHS sign-off procedure into Research and Development projects	38-41 45	• Research and Development of new products • Systematic life-cycle assessments for all construction product lines by 2010
- Through our awareness-raising initiatives	• Dedicated industry associations and labels • Information and training for contractors and other professionals • Group-wide celebration of International Environment, Health and Safety Day	41-42 48	• Continuation of awareness-raising campaign
- In our transport operations	• Dissemination of a Purchasing Charter • Initiatives within Building Distribution Sector companies to reduce CO_2 emissions from road transport • Adoption of CO_2 emissions criteria for automobile fleet in France	57	• Rollout to other Building Distribution Sector companies and then to the Group as a whole
- In our buildings	• Factor 4 targets for office buildings: Care:4™ project • Energy consumption at all new office buildings (offices, training centers excluding production shops, warehouses, stores, etc.) must be below 80 or 120 kWh/sq.m, depending on the country	57-58	• Production of an energy report covering all of the Group's office buildings by the end of 2010, to help us plan actions for future thermal compliance
Reduce atmospheric emissions of NO_x, SO_2, dust, metals, etc.	• Pollution reduction at source (primary measures) and through treatment of stack gas (secondary measures) • Selection of the cleanest energy source • Combustion settings for glass furnaces • Development of electro-static precipitators in the Flat Glass Division	58-59	• Continued investment in electro-static precipitators in the Flat Glass Division
Optimized withdrawal and use of natural resources **- Water**	• Closed-circuit operation extended to all facilities • Improved operating processes • Constant innovation for Pipe products • Definition by each business of water withdrawal reduction targets for 2010	60	• 6% reduction in water withdrawals by 2010 at concerned sites, based on 2007 production output.
- Wood	• Environmental policy applied to wood for the Building Distribution Sector	59-60	• 2010 target: 80% of wood product purchases sourced from certified forests.
- Silica, iron ore, coke, gypsum	• Recycling of secondary raw materials • Design of lighter products	54-55	• Development and deployment of a pilot biodiversity project in the Gypsum Division
Waste management	• Improved reporting • Reuse and recycling of raw materials • New avenues for reuse of waste in new materials, in products or as energy • Disposal as a last resort through certified disposal networks • Definition by each business of landfill waste reduction targets for 2010	54-56	• 6% reduction in landfill waste disposal by 2010 at concerned sites, based on 2007 production output.

Environmental actions are undertaken as part of a policy of continuous improvement. The aim is to extend ISO 14001 certification to over 80% of "concerned sites" during 2010.

Business practices

Challenges	Action taken	Page	Outlook and future initiatives
	• References to the Group Principles in all employment contracts • Development of the Responsible Purchasing initiative • Expansion of the competition compliance plan: training provided to more than 15,000 managers	72-74	• Inclusion of the Group Principles in all employment contracts • Continuation of the policy • Continuation and expansion of training in competition compliance

Health and safety

Challenges	Action taken	Page	Outlook and future initiatives
Health and safety **Workplace safety**	• Intensified action to prevent serious and fatal accidents: continuation of the Serious Accident Plan • Continuous monitoring of incident frequency rates • Adoption of risk assessment and accident/incident analysis standards • Definition of four safety standards: working at height, management of outside firms operating on company sites, permits to work, lockout/tagout • Dissemination of a Purchasing Charter • Dissemination of a Suppliers Charter currently underway, to draw suppliers' attention to the importance of sustainable development for the Group • Pilot project on "Temporary Staff and Safety" (part of the Responsible Purchasing initiative) • Health and Safety charter setting out reciprocal commitments of the Group and temporary employment agencies • Deployment of SMAT (Safety / Senior Management Audit Tool)	49-50 43 48	• Closer cooperation on safety issues with employee representatives through the European Social Dialogue process • An overall lost-time incident rate (LTIR) below 3.7 by 2010 (7 for the Building Distribution Sector) and a total recordable incident rate (TRIR) of under 7 for the Industrial Sectors. • Group-wide deployment of risk assessment by 2010 • Introduction of new safety standards • Systematic audits • Enhanced tracking of temporary staff and subcontractors • Dissemination of critical EHS standards: best practices for the training of new hires • Continued training in SMAT
Ergonomics	• Development of a method for identifying risks related to handling, lifting and workstation posture • Distribution of a training kit for this method	52-53	• Pilot sites in each Division starting in 2009
Noise	• Introduction of a noise standard • Tracking of reductions by Division, under annual plans	50-51	• Definition by each Division of 2010 reduction targets for the highest noise and chemicals exposures
Chemicals	• Deployment of Toxic Agents Standard and implementation guidelines • Tracking of reductions by Division, under annual plans • EU REACH regulations: creation of a dedicated network, development of IT resources, update of substance inventories in Europe	51-52	• Integration of toxic substance standard computer application and risk assessment software into an online resource in 2009, with deployment across all industrial Divisions within each country • Rollout of the substance inventory to include all countries and all Divisions from 2009
Human resources planning and development Hiring	• Closer relations with schools and universities, especially in emerging markets	61-62	• Ongoing efforts to maintain local ties with schools and universities
Training	• Easier access to training, especially in emerging markets • Support for efforts to achieve operational excellence • Contributions to enhanced EHS performance • A stronger commitment to a customer-centric culture and innovation • A more tightly-knit Group culture	64-65	• Creation of distance-learning programs within the Delegations • Operational excellence: continuation of WCM projects • Deployment of the EHS training matrix within the Delegations • Development of the School of Marketing, with links to the School of Management • Group-wide standardization of the new-hire induction process
Career planning	• Deployment of the international executive career management system • Adoption of the single performance review form based on the skills inventory • Strengthening of the talent tracking plan (SG Talents program)	61	• Continuous process • Continued gradual adoption of the single performance review form + development of system functions
Motivation	• Rollout of the Group Savings Plan in 40 countries • Development of international manager networks and regular meetings with Group senior management	69	• Expanded geographical coverage of the Group Savings Plan
High quality social dialogue	• Expansion of the European social dialogue process • Signing of the Human Resources Planning and Development agreement with four unions in France	68 62	• Rollout of the Forward Management of Jobs and Skills (GPEC) agreement to companies in France
Diversity	• Launch of diversity negotiations as part of the Forward Management of Jobs and Skills process in France • Regular evaluation of the proportion of women managers • Action to promote integration of the disabled	65-67	• Continued negotiations on the subject of diversity • Increased efforts to raise the proportion of women managers • Tracking of disabled employee targets
Integration into local community life	• Creation of the Saint-Gobain Initiatives international corporate foundation • Relations with local communities in all host countries • Support for local job creation (Saint-Gobain Développement in France)	73-76	• Expansion of the Foundation • Stronger long-term ties with local communities

I. Products and services contributing to sustainable development

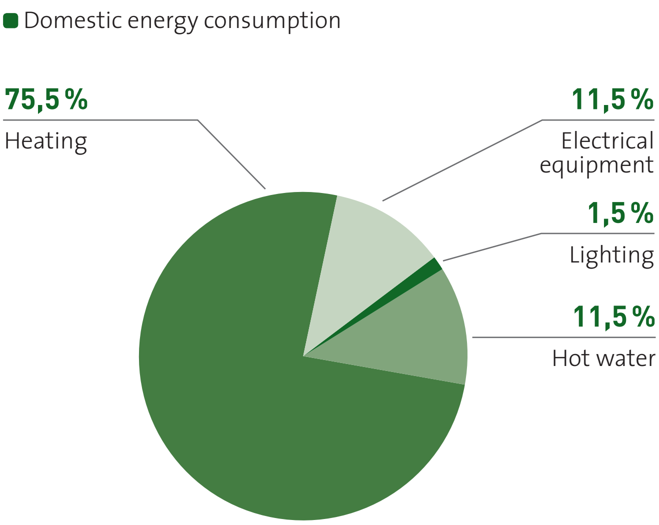
We contribute to sustainable development in a variety of ways through our products and services, and constantly strive to raise public awareness about environmental challenges[1]. Between now and 2010, we plan to conduct product life-cycle analyses for all of our construction industry product lines.

Limiting the environmental impact of buildings

Housing accounts for 40% of all energy spending in Europe, compared with 32% for transport and 28% for industry[2]. Developing solutions to reduce building energy consumption is therefore of vital importance.

High-performance insulation

In Europe, heating accounts for 75.5% of domestic energy consumption[3].



Saint-Gobain produces building materials that significantly help to reduce energy consumption for heating and air conditioning and the resulting greenhouse-gas emissions. The energy saved in a building equipped with these materials will, very quickly, far outweigh the energy consumed for their manufacture. A properly insulated home consumes one-fourth or one-fifth the energy that a non-insulated home requires for heating or air conditioning[4].

Tests have shown that the energy saved by using **glass wool** in building insulation is over a hundred times greater than the energy consumed in its manufacture and transportation.

The thermal performance of glass wool is steadily being enhanced thanks to ongoing Research and Development that has yielded dozens of patents. For example, the glass wool currently being manufactured by Saint-Gobain is 20% more efficient than older standard products of equal thickness.

A number of other Saint-Gobain products also contribute to improved building insulation, such as **plasterboard laminates** and expanded polystyrene from Saint-Gobain Gyproc, exterior thermal insulation systems from Saint-Gobain Weber and Saint-Gobain Technical Fabrics, Lapeyre windows and Point.P thermal insulation products. In addition, CertainTeed Corporation has invested in ARXX Corporation to expand development of Apex Block™, an innovative, naturally insulating cement/foam building material used for both above- and below-grade walls. Apex Block is an insulated-concrete-form (ICF) building system made from 100% post-industrial/post-consumer expanded polystyrene. It is assembled in units to form a strong post-and-beam structure of reinforced concrete, capable of supporting multi-story buildings. CertainTeed will market this unique product under the company's brand name and include it as part of its cutting-edge line of foundation products. In addition, in the area of Research and Development, a new program is underway to identify high-performance insulation materials for the home such as vacuum insulation panels and aerogels.

Saint-Gobain building materials also provide enhanced acoustics and soundproofing for homes, multiplex theaters, classrooms, multipurpose rooms and other environments to ensure greater user comfort. In 2008, Saint-Gobain Performance Plastics acquired Green Glue, a manufacturer of visco-elastic soundproofing materials based in West Fargo, North Dakota. These materials, which combine the properties of viscosity and elasticity, provide performance characteristics that are well suited for acoustic insulation. The site supplies its products to builders around the world who specialize in acoustics. The acquisition will strengthen our offerings for commercial and residential builders, and products marketed under the Green Glue brand will complement the Norseal®, Normount® and Thermalbond® product lines.

Flat glass is a fundamental part of insulation. As the world's top producer of coated glass, Saint-Gobain Glass provides practical solutions to ensure that buildings are energy efficient. Its expertise in applying thin films has produced a wide range of low-emissivity glass. When used in double- or even triple-glazing, this form of thermal insulation is similar in characteristics to an opaque wall.

[1] A brochure entitled «Building our Environment, Together» was published in 2007 to spotlight innovative Saint-Gobain solutions for saving energy and protecting the environment. It can be downloaded in English or French from the Saint-Gobain website.
[2] Source: EUROSTAT, IEA (International Energy Agency).
[3] Source: Observatoire de l'Energie (bilans de l'énergie), DGEMP, French Ministry of the Economy, Finance and Industry.
[4] Source: EURIMA.

Solar control glass also helps to reduce energy consumption in air-conditioned buildings. Over the past twenty years, Saint-Gobain has achieved a sixfold increase in the energy efficiency of its flat glass products, thanks to a significant investment in Research and Development. A study by the Glass for Europe association suggests that replacing every window in the 27-member European Union with advanced, low-E double glazing would cut CO_2 emissions by up to 90 million tons annually – equivalent to one third of the European Union's building CO_2 emissions target. CO_2 emissions from Europe's flat glass industry, representing 4.6 million tons of CO_2 annually, would be more than offset by the potential savings obtained by systematically replacing thermally inefficient glazing with the latest-generation high-efficiency double glazing. Low-E triple glazing provides 12 times more insulation than a single pane of glass and allows more sunlight to pass through than double-glazing with enhanced thermal insulation.

CONSTRUCTION OF TEN COMFORT HOUSES IN DENMARK

On September 24, 2008, as part of the Komfort Husene project launched by Isover, the Danish Minister for Climate and Energy, Connie Hedegaard, unveiled ten newly built Comfort Houses located in Skibet, Denmark. Over 200 construction product manufacturers and building contractors took part in designing and building these highly energy-efficient homes.

Insulation issues are directly linked to **air quality**. The Innovative Materials Sector - High-Performance Materials has developed a photocatalytic air purification filter that destroys organic matter to remove odors, smoke, viruses, bacteria and other nuisances. Based on technology similar to that used for Bioclean self-cleaning glass, the new quartz filter supplements existing filtration technology and has proven highly effective in purifying indoor air.

Innovative products for reducing our reliance on fossil fuel

Energy savings can also be achieved in indoor lighting, and Saint-Gobain is actively involved in developing lighting systems that use **light-emitting diodes (LEDs)**. Commonly used in display applications, they are likely to replace traditional incandescent bulbs over time, since they consume five times less electricity, last a hundred times longer and offer a spectrum similar to daylight. The Crystals unit of the Innovative Materials Sector – High-Performance Materials is currently a market leader in high-quality sapphire substrates for LEDs, and the Innovative Materials Sector - Flat Glass is working with the Australian startup BluGlass to develop low-cost glass substrates for LEDs.

Solid oxide **fuel cells** use stacked functional-ceramic layers that convert chemical energy directly into electrical and heat energy. By combining electricity generation and heat recovery (i.e., combined heat and power, or CHP), such systems can achieve energy output of around 80%, compared to 30% to 40% for traditional fuel-cell technology and present-day gas- and coal-fired power plants. As it emerges from the prototype stage, solid oxide fuel cell technology is expected to expand rapidly in the coming years. Saint-Gobain is actively involved in this process, researching ceramic core design from raw materials to assembly. Backed by its Research and Development teams, the Group is preparing fuel cells for use with domestic hot water applications.

The cast-iron pipes manufactured by Saint-Gobain PAM are being used to create **underground heat exchangers**. With this technology, an initial supply of fresh air enters pipes that are buried one to two meters underground. The air passing through these pipes is transferred to the surrounding soil. As a result, the air entering the home is heated in winter and cooled in summer, thereby reducing heating and air conditioning needs.

Promoting renewable energy

Through several of our product lines and Research and Development projects, we are promoting alternatives to fossil fuels and, in particular, helping to drive rapid growth in renewable energy. In the summer of 2006, we opened our first renewable energy retail outlet, Greenworks, in the UK, where more store openings are scheduled to take place soon. In addition, several Group banners are expanding their range of energy solutions. For example, Point.P's specialized network of Heating Ventilation and Air Conditioning (HVAC) professionals has become a leading French provider of photovoltaic systems, solar water heaters, heat pumps, condensing boilers and other equipment that harness renewable energy. The network supports growth in this product area through targeted service offerings and a vigorous nationwide promotional campaign.

Sun

Saint-Gobain is a major supplier of **solutions for the photovoltaic industry**. These include quartz crucibles for melting silicon slabs and engineered abrasive grains for cutting the slabs, fluoropolymer films for encapsulating photovoltaic panels and high-efficiency PV Lite and Albarino extra-clear glass.

Avancis, a joint venture between Saint-Gobain and Shell, began manufacturing photovoltaic cells in 2008 at its facility in Torgau, Germany. The plant's initial capacity of 20MW will quickly be ramped up. The photovoltaic panels produced by Avancis use innovative Copper Indium Selenium (CIS) technology developed by Shell. Involving a thin film of CIS applied to a glass substrate, this technology eliminates the need for silicon and offers high energy efficiency at exceptionally competitive production costs. The Saint-Gobain Flat Glass Division is contributing its industrial expertise in thin film technology and glass transformation. The CIS-based thin solar film produced at Torgau offers 11% efficiency, unmatched by any other thin-film technology.

In 2008, CertainTeed Corporation announced that it had forged a partnership with the Philadelphia firm SRS Energy. The two companies will be jointly developing a polymer-based photovoltaic roofing tile that generates energy without sacrificing aesthetic appeal. The partnership will draw on CertainTeed's solid reputation for developing and marketing innovative roofing products, and SRS Energy's knowledge and expertise in photovoltaic science. Also in 2008, CertainTeed and Energy Conversion Devices, Inc. (ECD), the world's leading manufacturer of thin-film solar laminates, signed an agreement to develop roofing-integrated photovoltaic products for the residential market that combine ECD's uni-solar cells with CertainTeed's roofing products.

We also manufacture **solar mirrors** that concentrate the sun's rays in order to heat water that generates electricity as it evaporates. The Innovative Materials Sector - Flat Glass has decided to raise its profile in the solar mirrors market through the La Veneciana de Saint-Gobain subsidiary. Its facility in Covilis, Portugal, is being extended to accommodate production of parabolic cylindrical mirrors for the solar thermal market on the Iberian peninsula. This €20 million project is an integral part of our solar strategy and will expand the current buildings – housing production facilities for extra-clear SGG Albarino patterned glass used in photovoltaic panels – to a surface area of 12,000 sq.m. The expanded Covilis site will be the largest facility in the world manufacturing parabolic cylindrical mirrors for use at solar thermal power plants. The Covilis plant was chosen for this major investment because of its expertise in manufacturing specialized products for the photovoltaic and solar market.

Air and water

We also promote hydraulic and wind power solutions. Dahl, one of our Building Distribution companies, supplies small-scale hydraulic power plants to the Norwegian market, while in wind power, Cerbec, part of the Innovative Materials Sector – High-Performance Materials, manufactures ceramic ball bearings whose long working life and ability to withstand significant loads make them an excellent choice for wind turbines.

Designing more environmentally friendly vehicles

High-performance automotive glazing

Compared to traditional automotive glazing, Saint-Gobain Sekurit's heat-resistant solutions significantly reduce the need for air conditioning, leading to improved fuel efficiency. For example, optimally combining a heat-reflective windshield with extra-tinted heat-absorbing glass for the rear and rear side windows cuts fuel consumption by 2.4% per 100 km and CO_2 emissions by 5 g/km, at speeds of 90 kph. Tinted and extra-tinted glass with heat-reflecting or heat-absorbing properties considerably improves thermal comfort for vehicle occupants while effectively addressing the environmental concerns of fuel consumption and CO_2 emissions. Moreover, the thin automotive glass now appearing on the market is lighter than traditional glass, which means it will help automakers meet their objectives for more lightweight vehicles that consume less fuel.

In addition, a major Research and Development effort is underway to improve recycling of automotive glass, using modules or submodules that are easily dismantled to provide a simpler, less costly and more environmentally friendly method of recycling at the end of the product's life.

High-tech particulate filters

When combined with advanced engine control technology, diesel engine particulate filters eliminate 99.9% of engine-generated soot particulates (now acknowledged to pose a risk to public health), thanks to their honeycomb structure of thin-walled passages. These filters are the culmination of extensive analysis by our Research and Development teams, drawing on the numerous patents we have obtained since 1998. In late 2005, we began production of silicon carbide particulate filters for diesel engines at Rödental, Germany, and in 2008 a new production facility opened in Kolo, Poland. Spanning 8,000 sq.m, the plant boasts a production line that will turn out some 250,000 filters annually for use in passenger vehicles.

By virtue of its considerable energy efficiency, diesel propulsion remains in high demand among automobile manufacturers, but particulate filters are necessary to reduce harmful emissions. These filters are gradually being made compulsory under exhaust emission standards such as the European Parliament's Euro 5/6 legislation for 2009-2012, the 2007 and 2010 EPA standards in the US and Japan's 2009 standards. We enjoy a leading position in this market, thanks to our integrated production facilities for value-added silicon carbide powder, the raw material used for ceramic filters.

Developing water transport and treatment solutions

Sustainable water supply systems

Because of their very function, Pipe Division products address a major sustainable development challenge, namely the supply of drinking water and the removal of wastewater. As urban centers in developing countries have expanded, their water supply has had to be sought farther and farther afield. The Pipe Division manufactures large pipes of up to two meters in diameter that are used to transport drinking water to major cities across dozens or even hundreds of kilometers. In many countries, these pipes meet a vital need, and the Pipe Division has won numerous major contracts. For example, it supplied some 200 km of pipework for the Aftout Essahli project in Mauritania, part of a national campaign to combat poverty.

Our products are particularly well suited to such applications, because cast iron is an exceptionally safe and durable material – as hundred-year-old pipes in cities like Prague and Montevideo can attest. It requires very little maintenance and can be laid in all types of soil. In addition, our pipes feature easy-fit couplings enabling non-specialist personnel to connect them reliably. From an environmental standpoint, progress in centrifuge casting of ductile iron has brought a 20% to 30% weight reduction in standard pipe products over the past 15 years, with an attendant drop in energy consumption, coke consumption and CO_2 emissions during the manufacturing process. The introduction of a new active surface coating has significantly increased product service life. Moreover, we maintain stringent standards in selecting coatings, seals, patching material, lubricant pastes and other materials that have been formally approved in France for use in the manufacture of water supply and distribution products.

In addition to pipe transport, the Pipe Division offers financial engineering services to local authorities, aiding them in their efforts to obtain project finance from banks, insurance companies and other financial organizations. The Division monitors and maintains an active presence among major global funding agencies such as the World Bank, regional development banks and European and Arab funds, and gives customers the benefit of its knowledge of these organizations and their procedures.

Effective water treatment

We marshal our full expertise to support the treatment of drinking water, swimming pool water and wastewater. For example, we supply key components for UV treatment systems. The Innovative Materials Sector – High-Performance Materials manufactures quartz tubes that destroy bacteria without the need for chemical additives that pose a danger to the environment, while Saint-Gobain PAM's innovative Ivoire® system manages and monitors underground water supply and drainage pipes using radiofrequency identification (RFID) chips that require no energy.

Raising awareness

A collective approach

In response to the challenge of global warming, we have adopted a proactive communications policy to raise public awareness about the dangers of CO_2 emissions from buildings.

In France, Isover and Eurocoustic (Insulation Division), Saint-Gobain Glass (Innovative Materials Sector - Flat Glass) and Placoplatre (Gypsum Division) were among the ten original members of a group founded in late 2003 called "**Isolons la Terre contre le CO_2**" (Let's Insulate the Earth Against CO_2). The Group's mission is to drum up support for energy efficient construction among government bodies, opinion leaders and the general public.

The Group also played a direct role in creating France's **Effinergie** label for buildings that meet strict energy-efficiency standards, inspired by similar programs already established in other countries, such as Minergie in Switzerland and PassivHaus in Germany and Austria. Effinergie has brought together a range of institutions with a stake in energy efficiency, including leading construction industry professionals, public authorities, local governments and the banking sector. We have helped to spur regulatory progress in favor of more energy-efficient buildings – including both newbuilds and renovations – by introducing an energy performance diagnostics system, and have boosted funding for energy-efficiency initiatives through our campaign to mobilize the banking sector.

At the prompting of local subsidiaries of Saint-Gobain Isover, a number of sister associations have been established since 2005, including **Isoterra** in Belgium, **Spaar het Klimaat** in the Netherlands and **Isolando** in Italy. In Germany, Isover G+H has launched CO_2NTRA, a similar program designed to combat CO_2 emissions. In France, Saint-Gobain is a member of the *Club de l'Amélioration de l'Habitat*, a group comprised of both government agencies and private firms active in renovation projects, as well as **Promodul**, a trade association committed to energy efficiency and building comfort.

In 2008, Saint-Gobain joined the **UK Green Building Council**, a British trade association that promotes sustainable housing, and is actively supporting its commitment to protecting the environment. This is yet another example of the Group's ongoing drive to seek out innovative, sustainable solutions that meet the challenges of the future in energy and housing. Thanks to this partnership, Saint-Gobain will gain the opportunity to share its expertise in environmental quality with other businesses and encourage best practices in the construction industry. Founded last year, the UK-GBC has very quickly emerged as a vital force in the development of sustainable housing in Britain. In particular, it plays an increasingly weighty role in defining new construction guidelines. The organization has developed an environmental quality code for buildings to allow manufacturers, their customers and government policymakers to participate in the sustainable housing campaign.

Educating young people

The young people of today will drive change in the future, which is why Saint-Gobain is committed to raising their awareness of the environmental challenges we face. Each of the Sectors is actively engaged in this task.

For example, the Packaging Sector educates consumers about glass container recycling and its environmental benefits. Its campaign is especially geared to children and young adults. In Italy, the Group has given enthusiastic support to a program that teaches young adults about selective sorting. Members of Assovetro, the Italian association of glass manufacturers, met with students at this year's Ecomondo show, an international exhibition devoted to recycling, energy efficiency and sustainable development held on November 5-8, 2008. Assovetro's glass packaging producer group is chaired by the CEO of Saint-Gobain Vetri, part of the Group's Packaging Sector. In the United States, Saint-Gobain Containers held several events to mark Recycle Glass Day, and produced a 15-minute animated film entitled "The Adventures of Captain Cullet and The Little Gob o' Glass: A Story of Hope and Recycling," designed to be shown in schools. Over 1,000 students in 12 Indiana schools were treated to a presentation on the topic.

For the past five years, the Insulation Division has organized a competition for architecture students on thermal and sound insulation, energy efficiency and building comfort solutions (www.isover-students.com). In 2008, students were tasked with designing a Multi-Comfort House that combines passive building design with acoustic comfort. Three prizes were awarded in each of the thirteen participating countries.

In France, Saint-Gobain is a member of the non-profit organization *Entreprises pour l'Environnement* and is serving as the lead sponsor for its 2009 student prize, awarded in partnership with the free newspaper, Metro. Students from every field of endeavor, from engineering and business to the humanities, have been invited to reflect on the topic "Urban density and quality of life: how can we do better?" The winner will receive a €5,000 prize for his or her contribution to the debate on making urban areas more appealing.

The Building Distribution Sector does its part

The Building Distribution Sector primarily targets members of the building trade and plays a central role in educating them on the environmental aspects of selecting and using building materials. One such educational initiative is the feature on sustainable development included in every issue of Point.P's quarterly magazine for builders, *Carnets de Chantier*. Similarly, over the past few years Point.P has been offering a fee-based waste disposal service that encourages environmental awareness among builders while offering added safety and convenience.

Through our sales outlets, we provide the general public with information on current environmental issues. Lapeyre has launched several campaigns featuring the "Bilibois" cartoon character to raise awareness about wood and forests among children and parents alike. These campaigns are showcased in dedicated in-store areas that encourage customers to change the way they look at forests, with the goal of promoting forest appreciation and preservation. In addition, collection boxes for used Batribox batteries have been installed in over 1,700 Point.P outlets in partnership with the recycling organization Screlec. The batteries are taken by Screlec to an approved sorting center, from where they are delivered to a specialty recycler, which issues a recycling certificate.

II. Our environmental, health and safety commitments

Our manufacturing, distribution and research activities are defined by the overarching principle of respect for people and for health, safety and the environment. We have instituted policies on environmental protection and industrial health and safety that are binding across the Group.

A comprehensive Environment, Health and Safety (EHS) system

Developing resources and a roadmap

At Saint-Gobain, we leverage several resources to deploy our EHS policy –described in the commitment letter signed by the CEO – and to broadcast the objectives defined in our EHS charter (see introduction).

The "Charter and Resolutions" brochure is issued to all operations personnel and to facility managers, in particular. It defines the objectives cited previously as well as the obligations of Group companies with regard to risk assessment and subcontracting.

The EHS Frame of Reference is a guide to EHS management, offering a detailed description of our practices in this area. Describing each phase in the process in a straightforward manner, from identification and planning to action plan implementation, evaluations and control, remedial action and adjustments, it serves as a reference base for all Group systems and, for the Building Distribution Sector, has been tailored to the specific nature of each business.

The Handbook is a compilation of best practices found within the Sectors and is intended for Group senior management. Its purpose is to distill our EHS policy guidelines and associated management systems, as well as the EHS resources, standards and recommendations that staff can apply directly in the field.

Senior management establishes priorities and quantitative **objectives** for the Group as a whole in the areas of health (deployment of standards), safety (reduction in workplace accident frequency rates) and the environment (optimized use of materials combined with reduced emissions). These objectives are then rolled out to the Sectors and Delegations in accordance with their specific operations, and are used by the individual facilities as a reference framework for the development of an annual EHS policy reflecting their particular needs. This integrated approach to the environment, health and safety provides a broad overview of these indissociable issues, thereby resulting in greater effectiveness. The EHS objectives for 2008-2010 were announced to Group managers by Pierre-André de Chalendar in September 2007 and were rolled out to each Division in 2008.

The documents described above are available through the EHS portal on the Group intranet site. This interactive forum for providing and sharing information is an effective, responsive resource for keeping all Group employees up to date about EHS issues.

Extending our EHS policy to temporary staff, subcontractors, suppliers and customers

The EHS policy applies not only to Saint-Gobain employees but also to **temporary staff** working at Group sites.
The Temporary Staff and Safety pilot project launched in 2007 in the Chalon-sur-Saône area of France was instrumental in improving the lost-time incident frequency rate among temporary staff at participating sites and promoting the exchange of best practices in temporary staff management at Saint-Gobain facilities. A taskforce made up of EHS and Human resources personnel in France has since been created, with the aim of identifying best EHS practices as they relate to temporary workers. This taskforce has drawn up an EHS checklist for use by all Saint-Gobain manufacturing and distribution sites to develop EHS procedures, based on resources adaptable to any environment. The checklist is due to be deployed in 2009-2010.

The Group's and the temporary employment agencies' reciproqual commitments have been set out in a prevention charter.

Our health and safety policies also extend to employees of **outside contractors** working at Group facilities, as well as to **suppliers**. A number of initiatives have been taken in this regard. The Innovative Materials Sector - Flat Glass has set up a taskforce to examine more effective ways of ensuring supplier and subcontractor safety and to define the respective responsibilities of the contractor, the purchasing department, the supplier and its subcontractors, the facility operator (i.e., the site manager or his representative) and the EHS department. The aim is to achieve optimum oversight of each worksite – through audits, corrective or disciplinary measures and the appointment of an EHS officer – and to use only accredited suppliers. In addition, EHS staff will complete satisfaction questionnaires and submit them to the purchasing departments upon completion of each project. Training for purchasing departments began in France during in 2008 and will be deployed worldwide in 2009. Finally, a Purchasing Charter, which applies the Principles of Conduct and Action to purchasing processes, is designed to encourage buyers to consider sustainable development criteria when selecting suppliers.
As of late 2008, a Suppliers' Charter governing calls for bids is being distributed to our partner service providers and outside contractors. The document describes our policy of giving preference to companies that fully subscribe to the principles of sustainable development and health and safety in the workplace.

We are also committed to extending our EHS policy to **customers** (see page 42).

Mobilizing resources to deploy the EHS policy

The EHS Department provides management and supervisory resources to help sites develop their own EHS practices consistent with Group policy.

Effective management methods

We recommend that our sites adopt certain management practices designed to deliver the best results in terms of environmental protection and industrial health and safety.

The **WCM (World-Class Manufacturing)** program is a structured approach to manufacturing excellence currently being deployed in all of our industrial Sectors. It comprises two main pillars: EHS and risk prevention.

Following a series of pilot projects, notably within the Gypsum Division and the Brazil Delegation, the Group-wide program was launched in 2007. Fostering continuous improvement and operating efficiency, WCM projects have significantly improved safety and manufacturing performance while quickly generating financial results. WCM projects are currently underway at nearly 300 Saint-Gobain sites and the program is being extended to all of the Group's industrial operations.

Since 2004 we have been gradually deploying the "**5 S**" management method as part of the WCM initiative. Already in use for several years at a number of Group sites, this method has proven effective in enhancing safety, quality and productivity. It is based on five principles: *seiri* (sorting), *seiton* (setting in order), *seiso* (cleaning), *seiketsu* (standardization) and *shitsuke* (discipline).

Rigorous standards and recommendations

In addition to these general management practices, we have developed a set of **recommendations** and mandatory **standards** dealing with specific EHS issues. They are conveyed through a variety of media, including implementation guides, procedures, training kits and IT resources. The standards require employees to implement a uniform risk assessment method to quantify and control risks, ensuring that the same preventive measures are used across the Group, regardless of the country or local legislation concerned. These measures are deployed simultaneously across the Group. Our EHS standards and recommendations are described below under the relevant headings. For example, the standards governing toxic agents and noise are addressed in the section on industrial health, while the accident analysis standard is discussed in the section on safety. These resources constitute a shared methodological foundation for EHS departments within the various Sectors, Divisions and Delegations, and can be enhanced with specific recommendations for particular businesses or that reflect local regulations.

A coordinated network of expertise

The EHS system hinges on a **network of correspondents that mirrors Saint-Gobain's matrix organization**.
The correspondents' activities are coordinated by a corporate unit that reports directly to Group senior management. Within each Sector, one or more employees are appointed to propose an EHS policy tailored to the specific nature of the Sector's operations and to oversee its implementation. Similarly, within each General Delegation, a representative is selected to coordinate Group, Sector and divisional EHS initiatives at the local level and to ensure compliance with local regulations and Group standards.
These EHS representatives work in turn with correspondents at the various companies and facilities. Working alongside the Group's EHS Department, these professionals form a network responsible for supporting operations managers in developing and implementing EHS policies.
This organizational structure enables the EHS function to remain close to business operations, respond to specific local circumstances and ensure overall consistency.

The International EHS Committee, composed of Sector and Delegation heads, meets twice a year to take stock of EHS policies, learn about resources available to the network for deploying these policies and share best practices. Similar meetings are increasingly being held within each Sector and Delegation, so that EHS staff can exchange ideas on issues specific to their business or local environment.

Within the EHS network, doctors and industrial hygienists also meet to set objectives and develop preventive methods and resources to promote workplace health and industrial hygiene. The results of their collaboration are then presented to the Group.

In addition, **regular meetings are held on matters of general interest relating to EHS**. These meetings bring together specialists in the field to discuss relevant topics, such as the database of chemical substances used within the Group – an essential resource for complying with the European Union's REACH legislation (see pages 80-82).

Forums such as these, enhanced by daily exchanges and information disseminated via the various EHS communication channels described earlier, ensure that EHS staff form an effective network.

Close cooperation with Research and Development centers

Our Research and Development centers cooperate with the EHS network to enhance the Group's performance with respect to environmental protection and industrial health and safety. With that clear goal in mind, they work together at three different levels, as follows:

Putting EHS at the heart of product innovation

Research and Development lies at the heart of new product design and at every stage of the process, our Research and Development teams consider a potential product's impact on human health and the environment during its manufacture and use right up until its disposal. In 2008 an EHS sign-off procedure was added to the process for managing Research and Development projects (known as "Saint-Gobain EHS Stage-Gate"). At each major "gate" in the process, project managers must now submit to the steering committee an EHS checklist that identifies each issue to be addressed during the course of the project, whether relating to raw materials, the manufacturing process, the use of the product or the end of its life cycle.

Putting EHS at the heart of process innovation

Our Research and Development teams also study ways of improving EHS performance as it applies to processes used within the Group. The Saint-Gobain Recherche and Saint-Gobain Conceptions Verrières research centers regularly join forces to improve the environmental performance of glass-making processes, for example through enhanced combustion to minimize nitrogen oxide (NO_X) emissions; techniques to treat stack gases, save energy and reduce carbon dioxide (CO_2) emissions; and product and process waste recycling. Research is also being conducted into non-glass activities in pursuit of similar objectives – for example, to reduce the quantity of water used by the Gypsum Division to manufacture plaster.

Working together to meet new EHS challenges

The best example of this type of teamwork is the research underway since 2005 into the risks posed by ultrafine particles. Although we are not actively involved in this field, some of our research requires us to manipulate such particles and we have therefore compiled an implementation guide for Research and Development teams with a view to restricting their use to certain sites, creating specially equipped facilities to protect Research and Development staff and setting out procedures for handling ultrafine particles (see pages 80-81).

THE GROUP REWARDS EUROPEAN START-UPS FOR INNOVATION IN ENERGY AND THE ENVIRONMENT

On the occasion of the Fourth European Research and Innovation Exhibition (SERI), held in Paris on June 5-7, 2008, Group executives interviewed representatives from European start-ups selected on the basis of their submissions to take part in Saint-Gobain's competition to recognize innovation in housing construction. Three prizes were awarded, including two relating to energy and the environment. The Housing and Energy Efficiency prize was awarded to Gap Solution, an Austrian firm that has developed a system of prefabricated components that capture solar energy. The system can be used to update existing building exteriors with new insulation in compliance with the "PassivHaus" standard. The Housing and Environment prize went to Plantover, a French company that has developed vegetation panels for covering walls, facades, partitions and (soon) ceilings, thereby enhancing insulation and improving indoor air quality. The winning companies each received a check for Đ15,000 and have been given the opportunity, along with five other participants, to work with Group teams under commercial or technological partnerships. Saint-Gobain and its NOVA External Venturing unit will be organizing the competition again in 2009.

Accurate EHS reporting

Since 2004, the Group has used a centralized EHS reporting system known as Gaïa (see Reporting Methodology).

A customized audit system

Our EHS audit system includes EHS cross-auditing and self-diagnostic processes, initiated by the EHS Department, and a self-assessment process, initiated by the Internal Audit and Control Department.

EHS audits

EHS audits provide the most in-depth and reliable assessments of EHS performance. They are performed by teams from outside the audited Sector who have a thorough knowledge of our EHS policies. These integrated audits incorporate our core environmental, industrial health and safety concerns and are based on procedures that are fully consistent with the OHSAS 18001 and ISO 14001 standards.

A 20-step audit is used for our manufacturing operations, while a 12-step audit, adapted from the 20-step version in 2005, is applied to our distribution activities. Between January 1 and November 30, 2008, we conducted 451 12-step audits and 184 20-step audits. Industrial sites are audited at least once every three years. In 2008, audits were conducted in about 30 countries, most recently in the United States and Sweden.

EHS auditors are drawn from a pool of specially trained and experienced managers, primarily from the EHS field but also from other areas such as Human resources, quality assurance and risk management.

These audits are designed to yield practical recommendations. The site manager and the local EHS manager, with support from the EHS Department at the Delegation level, are responsible for ensuring that the resulting action plans are carried out.

There are 741 auditors for all of the Delegations. They take part in a professional certification course taught by outside consultants who specialize in auditing techniques and by seasoned in-house auditors with expertise in Saint-Gobain's internal auditing process. A "Serious Accident Plan" index was added in 2008 to focus attention on subcontractor management, lockout/tagout, maintenance activities and other basic safety practices adopted at the audited site, so that auditors can assess the quality of the site's EHS management.

A significant number of Gypsum Division sites were audited for the first time in 2008 through both 12-step and 20-step audits. Integrated audits at Maxit, which was recently acquired, will begin in 2009, in accordance with the audit plan defined by the Delegations. A number of EHS coordinators at Maxit sites will receive training in Saint-Gobain's EHS standards during 2009, based on a training schedule to be set by each Delegation, to enable them to join Saint-Gobain's team of EHS auditors.

In addition, audit quality assessments have been carried out in France since 2006. These assessments are used to evaluate satisfaction levels and also pinpoint areas for improvement. The sites that have responded to date have shown high satisfaction rates.

Internal control: the self-assessment questionnaire

The internal control questionnaire provides an opportunity for unit managers to assess their unit's internal control situation and report the results to Group senior management, as well as committing to action plans designed to correct any identified weaknesses. EHS is one of the areas addressed in the self-assessment questionnaire, which covers the most critical aspects of the Group's EHS policy, in the same way as the EHS self-diagnostic process described below.

Each Group entity is required to complete the questionnaire every year. The 2008 self-assessment exercise was conducted in two phases during the first half of the year. It covered 700 Group entities, which were given three months in which to validate their responses and draw up corrective action plans. These action plans were implemented over the course of 2008.

Self-diagnostics

Self-diagnostics are used to make a general assessment of EHS practices at a given site. They include a detailed list of questions and an evaluation grid, designed to provide facility managers with a quick and simple overview of EHS conditions at their site. Saint-Gobain uses two types of self-diagnostic, one for industrial operations and the other for distribution sites with fewer than 50 employees. The latter takes into account two specific attributes of the Building Distribution Sector: i) the presence of customers on the site and ii) a supervisory structure that is more dispersed and therefore occasionally less visible, providing limited guidance. These self-diagnostics are now being implemented in all of Saint-Gobain's newly acquired companies and continue to be used on an annual basis at the discretion of the Asia-Pacific, North America and certain other Delegations.

2008-2010 OBJECTIVE

Saint-Gobain is committed to the objective of systematically conducting 20-step audits at least once every three years at each site in its industrial Sectors, and 12-step audits tailored to each entity in the Building Distribution Sector.

An assertive certification policy

Certification of concerned sites remains a Group priority, in accordance with the target set in 2007 to obtain ISO 14001 certification for 80% of these sites by 2010. As explained in the Reporting Methodology section, concerned sites are those with the greatest environmental impact, as measured by their energy use, water use and quantity of unrecycled waste among other criteria. Non-concerned sites, such as Building Distribution Sector builders' merchant outlets, are also encouraged to incorporate environmental certification into their action plans. As of December 31, 2008, nearly 46% of concerned sites were ISO 14001-certified versus 41% in 2007 on a comparable scope basis.

Other forms of certification are becoming more common within the Group. In 2008, 197 Saint-Gobain sites were awarded OHSAS 18001, BS 8800 and other **health and safety** certifications, compared with 132 in 2007 on a comparable scope basis. Saint-Gobain Glass' float facilities are in the process of obtaining OHSAS 18001 certification; while sites in Pisa, Italy; Aniche, France; Santa-Iria, Portugal and Busan and Gunsan, South Korea, have all recently been certified.

Moreover, 678 Group sites now boast ISO 9001:2000, ISO 9002, QS 9100 and other **quality** certifications, compared with 619 in 2007 on a comparable scope basis.

2008-2010 OBJECTIVE

ISO 14001 certification will be obtained for over 80% of concerned sites by 2010, with 46% already certified as of 2008. The sites concerned have been designated by Sector/Division on the basis of their water use, energy use, emission levels, waste volumes and other environmental criteria (see Reporting Methodology).

Substantial financial resources

Environmental spending in 2008 totaled €100 million, including the following outlays:

- €22.3 million in personnel costs for environmental management staff. This does not include salaries of employees in charge of waste sorting, water treatment activities or maintenance of gas treatment equipment.
- €1.7 million to obtain or renew ISO 14001 or EMAS environmental certification. This includes all certification-related expenses and charges for outside consultants, internal and external training, the development and upkeep of EMS and ISO 14001 systems, audits, and meetings on the topic of certification coordination and review.
- €4.8 million for environmental taxes, including all environmental management taxes and levies paid to local authorities or associations such as water management boards.
- €4.5 million for insurance and warranties, comprising all insurance premiums covering accidents and pollution with a potential environmental impact – including pollution beyond the company's property – and warranties for environmental risks such as soil pollution.
- €0.3 million for environment-related fines, including all fines levied by authorities as a result of regulatory non-compliance or recent environmental incidents.
- €2 million to cover the cost of environmental incidents, including the cost of making good environmental damage arising from recent incidents and, where applicable, the cost of restoring compliance.
- €6.2 million for technical measures, including the cost of measuring air, groundwater and noise pollution and other emission levels, the cost of measurements carried out by independent laboratories, and the cost of impact and hazard assessments requested by authorities prior to granting operating permits and environmental authorizations.
- €16.7 million to cover the cost of soil decontamination, rehabilitation of decommissioned sites and miscellaneous items.
- €41.5 million in environment-related Research and Development spending.

Capital expenditure on environmental protection measures, including spending on both compliance programs and voluntary initiatives, totaled €94.5 million in 2008.

When the Group believes that it is exposed to an environmental risk, a provision for the estimated future cost is recorded in provisions for other liabilities. These provisions totaled €158 million at December 31, 2008.

Comprehensive training

Training offers a unique opportunity to provide employees at all levels in the organization with the knowledge they need to fulfill EHS policy objectives. Environment, health and safety matters accounted for 24,6% of training hours provided in 2008.

The Group is actively defining a core EHS curriculum covering essential and recommended training topics for each function. This training is provided at local level with help from the various Delegations. The courses address general management issues as well as key areas such as risk identification, industrial hygiene and environmental compliance techniques, and audit procedures and feedback. Group-wide SMAT training began during 2008 as well.

SMAT

SMAT (for Safety / Senior Management Audit Tool) is a system that uses observation and discussion to raise awareness among employees about how their behavior impacts their own safety and that of their co-workers. The Gypsum Division has been using SMAT for several years and has made significant strides in establishing a safe workplace, prompting the Group's senior management to decide to extend its use to all Sectors in 2008. The CEO and Senior Vice President for Human Resources received training in SMAT upon its initial deployment, and in 2008 nearly 12,670 employees with direct supervisory responsibilities and more than 2,300 managers and members of executive committees were trained in the method.

Each Delegation uses a local service provider to conduct the training, based on the Saint-Gobain SMAT standard, which is available for consultation online on the EHS intranet.

For International Environment, Health and Safety Day, Saint-Gobain's Chief Executive Officer and numerous other executives, including General Delegates, Sector and company directors, referred to SMAT in their videotaped addresses to employees. A selection of their comments regarding SMAT can be viewed on the EHS intranet, and is available for use during training sessions.

In addition, a SMAT module has been included in various courses offered by the Group's Training Department.

Lastly, we make every effort to educate employees about EHS-related issues via print media, internal communication (see below) and by other methods. International Environment, Health and Safety Day provided an opportunity to raise awareness of EHS issues among our 210,000 employees. The event represents one of the highlights in our Communication On Progress for the United Nations Global Compact.

Spreading the word about the challenges we face

Events

The **Health & Safety Diamonds** have been held each year since 1990. The sites with the best health and safety results are recognized and their best practices shared with the rest of the Group. The event promotes healthy internal rivalries and provides an opportunity for fruitful exchanges among all participants. In 2008, 25 units in 15 countries were awarded a Diamond for health and safety progress achieved in 2007. Some Delegations, including the United Kingdom and Italy, as well as some companies, including Lapeyre, organize similar events of their own to give teams added recognition.

An International Health and Safety Day was held in October 2004 and again in June 2006, to raise awareness among both Saint-Gobain employees and their outside colleagues. The environment was added for the 2008 event, held on May 15, in line with the Group's strategic stance on environmental solutions. Each Group facility is encouraged to organize workshops, conferences, games and other initiatives, with input from employees, workplace health and safety committees and representatives of consultative bodies, among others. At the same time, managers are encouraged to become more involved in health and safety matters through direct action, field visits and participation in site activities.

INTERNATIONAL ENVIRONMENT, HEALTH AND SAFETY DAY

May 15, 2008 marked the Group's third International EHS Day. Every Group facility hosted events, workshops, conferences and presentations, all focused on respecting people and their environment.
The speech by Pierre-André de Chalendar, the Group's CEO, highlighting the critical nature of EHS issues was broadcast to all 210,000 employees and each General Delegate appeared in a video shown to employees of their Delegation. Saint-Gobain executives visited sites to underscore the Group's commitment to these topics. At corporate headquarters, the CEO opened the day's proceedings by announcing that "Safety used to be a priority for the Group; now, it is one of our core values." He then visited several sites in and around Paris and took part in a number of organized events.

"**Stars of Communication**" is a competition designed to recognize communication initiatives at Group companies. One award is given each year in the EHS category, and in 2008 it went to Saint-Gobain PAM for its EHS communication campaigns.

In-house publications

Every month, at least three or four EHS news briefs are published in the weekly newsletter *The Bridge* received by all managers, in the monthly magazine *The Month*, of which 38,000 copies are distributed in four languages, and on the intranet. Moreover, since January 2005, the EHS Department has been publishing a special EHS newsletter called *EcHoeS*.

The Delegations and Sectors also include EHS information in their own internal communications. The Benelux, India, Italy and UK Delegations, among others, publish newsletters devoted entirely to EHS topics, as do the Innovative Materials Sector – High-Performance Materials and a number of companies, including the Lapeyre Group, SGBD UK & Ireland and SGG Italy. However, the bulk of communication takes place at the sites themselves, because, like training, it plays a vital role in improving performance.

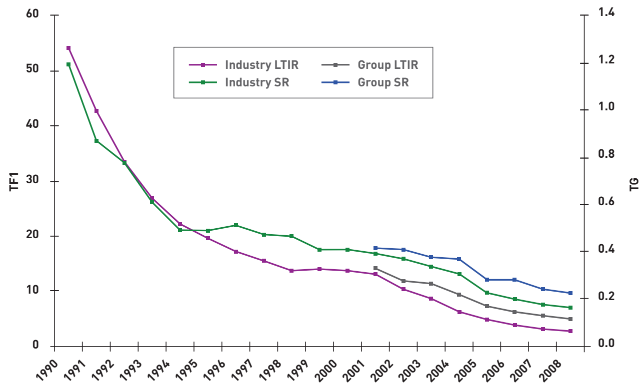
Encouraging results

Safety

Incident frequency and severity rates

Lost time incidents

As part of our safety policy, we use a number of specific indicators to monitor our progress and performance. The lost-time incident rate (LTIR) (more than 24 hours' lost time) stood at 4.8 in 2008, representing a 0.4-point improvement from 2007 and a 19% decrease from two years ago. We are targeting a rate of less than 3.7 in 2010 (this figure was revised from 3.5 to reflect the growing size of the Building Distribution Sector). The severity rate, i.e., the number of lost-time days per thousand hours worked (SR), was 0.22, down 0.2-points since 2007 and down 21% from two years ago.



All of the Sectors are reporting steady improvement. The lost-time incident frequency rate in the industrial Sectors has dropped from 3.0 to 2.6, down 28% in two years. At the same time, the severity rate stands at 0.16, a 20% reduction from two years ago. The Innovative Materials Sector – Flat Glass posted the greatest improvement in LTIR, with a 22% decline from 2007, while the Innovative Materials Sector – High-Performance Materials once again reported the best score with 1.6 (down 0.1 points). With an LTIR of 3.8, the Packaging Sector improved its score by nearly 14% over 2007, whereas the Construction Products Sector's LTIR was unchanged from the previous year.

Progress continued in the Building Distribution Sector, where the LTIR dropped from 9.6 in 2007 to 8.7 in 2008, and by 20% over the past two years. The Sector's goal is to achieve a rate of 7 by 2010. Its severity rate declined as well, down 23% from two years earlier to 0.34.

Reportable incidents

The Group also monitors the frequency of reportable incidents, corresponding to incidents that lead to medically diagnosed injuries regardless of whether they result in lost time. In the industrial Sectors, the total reportable incident rate (TRIR) stood at 11 in 2008 compared with 13.1 in 2007, a 16% improvement. The Group's target is a TRIR of below 7 within the industrial Sectors by 2010.

Data used to calculate frequency rates of recorded incidents and «near incidents» are not yet wholly reliable, but they nevertheless provide representative data that can be communicated to the workforce. Our EHS newsletter, *EcHoeS*, includes a section entitled "Remain Vigilant" that describes a recent incident or near-incident, explains the measures that were taken and reminds readers about safety guidelines.

2008-2010 OBJECTIVE

The Group is targeting an overall lost-time incident frequency rate (LTIR) below 3.7 by 2010, with a goal of 7 for Building Distribution, and a total reportable incident rate (TRIR) of under 7 for the industrial Sectors.
The Group's LTIR improved to 4.8 in 2008; LTIR in Building Distribution was 8.7, while TRIR in the industrial Sectors was 11.

Preventing serious accidents

In 2008, there were 14 fatal work-related accidents involving either Group employees or external workers, a small improvement on the 17 fatalities reported in 2007.

We regret to report that there were eight work-related deaths among Saint-Gobain employees (versus nine in 2007), five among employees of outside contractors (eight in 2007) and one among temporary workers (none in 2007). There were no fatalities among other third parties in either 2008 or 2007.

There were also several deaths that were not work-related: five among Saint-Gobain employees (versus five in 2007), one among temporary workers (none in 2007) and two among employees of outside contractors (three in 2007). These deaths occurred in the workplace but were not attributable to the victim's work; in most cases the cause of death was a heart attack.

The number of fatal accidents that occurred during employees' daily commute declined: two Saint-Gobain employees and two employees of outside contractors died in these circumstances in 2008 (compared with six and three respectively in 2007).

In order to enhance prevention of the most significant risks, in September 2006 the Group's senior management unveiled a Serious Accident Plan supported by resource indicators to monitor the effectiveness of key actions. Developed in close consultation with EHS managers at the Sectors and Delegations, the plan focuses on consolidating preventive measures, coordinating communications activities and managing outside contractors. In most countries, the plan was implemented in 2007 under the responsibility of the various Delegations, supported by EHS personnel. Its deployment continued through 2008. In addition, the 20-step and 12-step audit questionnaires now include an appendix for tracking the plan's deployment at each industrial site. A progress report will be drawn up in late 2009.

To help them to implement the plan, EHS teams can conduct a risk analysis and an accident analysis, both of which now figure among our EHS standards. The overall risk assessment process is carried out using a special computer application to identify hazards, quantify the associated risks and prioritize the potential threats to health and safety at Saint-Gobain plants or distribution outlets, with a view to determining priorities and action plans on risk reduction and control. A web-based resource will be developed during 2009. The aim is for the system to cover all Saint-Gobain sites by 2010 (as part of the 2008-2010 EHS Plan), in order to fulfill our overall objectives for reducing incident frequency rates.

Despite the progress achieved, the number of fatal accidents remains unacceptable and the entire Saint-Gobain management team is determined to reach the only acceptable safety target of zero work-related accidents.

We are establishing health and safety standards to help improve our performance in these areas. Four such standards have already been drafted – concerning working at height, control of contractors, permits to work and lockout/tagout – and will be deployed beginning in January 2009. Safety standards must be applied without modification at each of our industrial sites. Every standard includes key provisions that must be adopted by each Building Distribution outlet alongside any existing standards or procedures applicable to their operations; if no other standard or procedure exists, the entire Saint-Gobain safety standard must be applied. These standards will be implemented by the various Divisions, with support and oversight by their respective Delegations.

Operating in degraded and/or maintenance mode poses an especially high risk of accidents. Consequently, a "60 seconds to think" guide prepared in 2008 is currently being introduced at every Saint-Gobain site. The guide presents 12 essential questions that employees should ask themselves before taking action in particular situations. Training activities will also be organized to address such situations.

The Sectors are actively addressing safety concerns. For example, the Innovative Materials Sector - Flat Glass has established a system of audits concerning jobs that involve heavy lifting, particularly of glass and raw materials.

Each Saint-Gobain Glass site was audited in 2007 and again in 2008 by specially trained internal auditors. An inventory of best practices has been developed and some have now been made mandatory. Each site is required to take action in 2009 to implement the auditors' recommendations. Follow-up audits will be conducted beginning in 2009.

Encouraging progress

The Group uses the Health & Safety Diamonds (see page 75) and the Millionaires Club to spread the word about progress at each site. Launched in March 2004, the Millionaires Club includes those sites or groups of sites that deliver the best safety performance. As of December 31, 2008, the Club had 107 member sites. Of these, 46 had accumulated more than a million hours worked without a lost-time incident, 52 smaller sites had had no lost-time incidents for at least five years, and nine sites had managed to achieve no lost-time incidents in the course of a million hours worked and a five-year period.

Millionaires Club - Members as of December 31, 2008

Sector	Sites > 1 million hours worked without lost-time incident	Sites > 5 years without lost-time incident	Sites > 1 million hours worked without lost-time incident + > 5 years without lost-time incident
Innovative Materials Sector – High-Performance Materials	21	24	3
Innovative Materials Sector - Flat Glass	9	11	1
Construction Products Sector	14	16	5
Packaging Sector	2	1	0
Total	**46**	**52**	**9**

Industrial health and hygiene

As part of our operations, we process and use mineral and chemical substances may potentially expose some of our employees to risks. The industrial hygiene initiatives and innovative remedial solutions we have developed seek to minimize this risk.

Reducing exposure to noise

Our industrial processes involve many different sources of noise, including cooling systems, machine tools and furnaces. Measures to protect individual employees and reduce overall noise levels have been implemented at every site.

In addition to complying with regulatory requirements in each country, we introduced our own **NOise Standard** (NOS) in 2004 to detect, measure and control potential forms of noise exposure in the workplace. In 2005, the NOS was rolled out to the entire Group, including facilities outside of Europe, for the purpose of protecting all employees and contractors. The standard includes guidance on establishing indicators that can be used to prioritize noise reduction initiatives, monitor conditions and track progress over time. The NOS is applicable to all Group companies regardless of local legislation, and may be more stringent than national regulations in a given country. Noise levels are determined based on a specific measurement standard applied to groups of comparable types of exposure. This ensures more precise measurement of exposure levels and consistent methods of exposure assessment across the Group. Data is entered in the Gaïa reporting system, which generates a matrix that classifies the information by level of exposure (high, moderate or low). The standard is scheduled to be rolled out to Maxit, acquired in 2008, during the course of 2009. A training kit is available to assist with local deployment of the NOise Standard.

2008-2010 OBJECTIVE

Each Division will monitor reductions in noise exposure as part of its annual plan.

Preventing exposure to toxic agents

Our operations entail the use of raw materials that are then processed and treated to create high-technology products – potentially leading to mineral dust and chemical exposure. We have introduced a standard policy for measuring and controlling the risk posed to the workforce.

The **TAS (Toxic Agent Standard)**, developed in 2004, provides a framework for identifying, assessing and eliminating or controlling potential sources of exposure to toxic agents in the workplace. As with the Group's other standards, the TAS has been rolled down into four implementation guides. The first of these concerns crystalline silica and was issued in conjunction with a 2005 project involving the distribution of crystalline silica kits to all Group companies supported by appropriate employee training. Maxit, the company acquired in 2008, will implement TAS in 2010. Sites that have identified a silica dust hazard are required to monitor their employees' exposure according to standards that are stricter than local regulations. Through our industry federation, we played an active role in crafting the European agreement of April 25, 2006, on "Workers Health Protection through the Good Handling and Use of Crystalline Silica and Products containing it." Negotiated by representatives of the European Union, industry and the trade unions under the aegis of the Negotiation Platform on Silica (NepSi), the agreement aims to protect employee health and minimize exposure to respirable crystalline silica.

Three other guides have been issued since 2004:

- The Saint-Gobain EHS Code of Conduct Applying to Nanomaterials which was updated in 2008 as part of a joint initiative by EHS, medical and Research and Development personnel. It contains instructions for protecting Research and Development staff (Guidelines 1+). Instructions dealing with new product development (Guidelines 3+) are currently in the test phase pending final validation. As indicated previously, in 2008 an EHS sign-off procedure was added to the process for managing Research and Development projects (known as "Saint-Gobain EHS Stage-Gate"). At each major "gate" in the process, project managers must now submit to the steering committee an EHS checklist that identifies each issue to be addressed during the course of the project. These issues include concerns relating to nanomaterials. Finally, instructions dealing with specific production situations – such as the elimination or replacement of nanomaterials –, protective equipment and controls over the application of procedures, were finalized in late 2008 and will be applicable from 2009 (Guidelines 5+).
- A guide to the use of fibrous materials that explicitly defines safety rules for the use of fibrous materials in processes, equipment, systems or buildings. In 2007, with support from Saint-Gobain Conceptions Verrières, the EHS Department provided technical, engineering and research teams from each Sector and Division with online access to a Group database on fibrous materials, and on October 1, 2007, Saint-Gobain imposed a Group-wide ban on the use of any fibrous material not listed in this database.
- A guide to the construction, renovation and maintenance of melting furnaces.

The Sectors and Delegations have implemented a number of risk-reduction solutions appropriate to each business. The Innovative Materials Sector – High-Performance Materials has developed a particularly innovative computer application called Toriman to meet TAS objectives. Toriman identifies each substance used within the Sector and, based on potential risk and conditions of use, provides information and recommendations by product family concerning the substitution of certain substances, general protective measures and, as a last resort, mandatory protective equipment to be used by individual employees. Toriman is a critical resource for enhancing toxic risk assessment in each country, regardless of differences in local knowledge and expertise. It is set to be incorporated into an online resource, along with our risk assessment application, during 2009 and deployed at all of our industrial sites in all countries.

Wood dust is primarily an issue for Lapeyre, which has embarked on a campaign to prevent and reduce employees' exposure at source. Lapeyre has been measuring levels of wood dust at its sites since 1996. At the same time, it has been investing in equipment to reduce wood dust volumes through ventilation or suction and to protect employees, and continues to build on these initiatives even today. In 2000, Lapeyre developed a plan to medically monitor and supervise employees who have been or continue to be exposed to wood dust, regardless of their current level of exposure. Initially introduced in the Group's plants, the plan was extended in 2003 to include in-store woodworking workshops, where technical upgrades have been introduced in tandem with revised measurement procedures. Lapeyre is also taking steps to ensure that its facilities comply with the European Union's ATEX Directive on explosive atmospheres as it applies to wood dust. Diagnostic tools have been defined and campaigns for reaching compliance targets are underway. Backed by a significant investment, these campaigns will continue for several years in Lapeyre's plants and stores alike.

We are implementing the **European Union's REACH[1] regulation**, which came into force on June 1, 2007, and seeks to identify the substances of greatest concern with a view to phasing out unsafe applications. Under the regulation, all such substances manufactured or imported in Europe in quantities greater than or equal to one ton per year per legal entity must be registered. The IT Department has developed a computer application to assist with drawing up an online inventory of chemical products found at Group sites. In line with REACH, inventories at European Union sites were updated at the end of 2008. We submitted 533 pre-registration dossiers in 2008 for 105 Group companies and 202 different substances. From now on, in accordance with the "No data, no market" principle, substances that have not been pre-registered may not be manufactured or imported in Europe unless or until they have been registered with the European Chemicals Agency. The next step is to prepare these registrations in partnership with other reporting companies in Europe. We have decided to expand this substance inventory to encompass all countries and Divisions from 2009.

The online inventories also feed data into an analytical program designed to verify compliance with REACH by Group entities in Europe. E-learning modules, available to 1,000 potential users, have been developed to support the program's deployment. The program uses the Group's substance database, S'B@SE, which was brought online in March 2008. In 2009, another resource – the Toxic Agents Standard risk assessment software – will come online.

At the same time, several countries are on the verge of adopting the UN's Globally Harmonized System (GHS), designed to establish a uniform international hazard classification and labeling system. GHS implementation is being monitored simultaneously by the REACH project team.

2008-2010 OBJECTIVE

Each Division monitors reductions in exposure levels as part of its annual plan, and risk prevention resources have been created by the Group. For example, the Toriman application developed to support implementation of the Toxic Agents Standard and the accompanying risk assessment software will be integrated into an online resource in 2009, with deployment in all industrial units worldwide.

In addition, in compliance with the European Union's REACH regulation, substance inventories were updated at all European sites at the end of 2008, using newly developed computer applications. From 2009, the Group has decided to expand its substance inventory to include all countries and Divisions.

Enhancing workstation ergonomics

Although factory automation and the use of ergonomic assist devices have gradually reduced risks for employees, we remain attentive to problems of movement and posture at each workstation. A specific Posture/Lifting/Movement (PLM) method for identifying the risks inherent in handling operations and work postures has been developed and is being made available to EHS managers at the Sector and Delegation levels for industrial and distribution facilities. EHS guidelines have been issued, describing how the method should be used and a training DVD is currently being distributed.

Four manuals highlighting various hazardous scenarios are available on the EHS intranet in French, English and Spanish. Designed to encourage operator input, each manual comprises a first section describing preventive action to be taken at the workstation and a second section to assist employees in observing and evaluating each workstation setup.

In order to eliminate or reduce potential risks, some sites have revamped each workstation's ergonomics, organizing work activities so as to limit repetitive motion over time. One example is the Innovative Materials Sector - Flat Glass, where jobs frequently involve manual handling and finishing tasks.

[1] Regulation (EC) No 1907/2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) and establishing a European Chemicals Agency..

In the Building Distribution Sector, musculoskeletal disorders represent a major health risk for employees, given the handling activities their work entails. At Point.P, all newly hired warehouse employees attend mandatory training in proper motion and posture. Lapeyre has developed a video on appropriate handling techniques that is shown to employees in all Lapeyre stores, and 115 staff members have undergone training that they will in turn extend to both new employees and current members of the workforce on an ongoing basis.

In the Pipe Division, an ergonomist devises solutions to ergonomics issues specific to the Industrial Projects unit. In addition, two assessment programs – Ergo-Progress and Ergo-Team – have been developed, the former for new investments and the latter for correcting shortcomings at existing sites. Users take part in training sessions lasting from one to six days. The goal is to improve the Division's facilities by incorporating ergonomic considerations into the earliest stages of the design process. These assessment programs ensure that even the minutest details of every project are subject to close scrutiny. More than 40 employees, including project managers, designers and site managers, have been trained in the use of the programs, and over 50 projects have benefited from the in-depth focus they provide.

2008-2010 OBJECTIVE

The Posture/Lifting/Movement (PLM) ergonomics process will be implemented at pilot sites in each Division beginning in 2009.

Preventing biological hazards

Following an outbreak of **legionnaires' disease** in France in late 2003, and the introduction of new French regulations in 2004, Saint-Gobain sites in France have moved proactively to prevent and control risks in this area. All potentially affected Sectors in France have taken the necessary steps to ensure compliance, including monthly or even weekly monitoring of water quality, frequent cleaning of pipes to prevent the formation of a biofilm and the commissioning of audits by qualified external inspectors. In addition, many have organized training in crisis management. A number of sites have upgraded their facilities to minimize hazards. For example, dead-leg piping has been eliminated to prevent the accumulation of standing water and the emergence of the bacteria responsible for legionnaires' disease. Although these stringent regulations currently apply solely to France, a number of businesses, such as the Innovative Materials Sector – Flat Glass, have replicated these practices in other European countries and beyond.

In response to the increased risk of an avian flu pandemic, we introduced a series of preventive measures in 2005 that mobilized the EHS and Human resources Departments:

- General instructions were issued based on the pandemic risk scale published by the World Health Organization.
- The Sectors integrated the risk of a pandemic into their operational crisis management plans. The Construction Products Sector, for example, provided all its sites with an optional system to assist them in evaluating their continuity plans.

Environmental issues

THE FRENCH PRESIDENT VISITS A SAINT-GOBAIN SITE

On November 4, 2008, France's President, Nicolas Sarkozy, visited the Placoplatre® site near Paris, accompanied by the Minister for Ecology, Energy, Sustainable Development and Regional Development. After touring the factory's new plasterboard production line and training center, the President took part in a roundtable discussion on implementing the "Grenelle de l'Environnement," which lays out France's medium-term environmental strategy.

Given our strategic position in the habitat and construction market, we need to deliver a text-book environmental performance, which is why we are committed to making constant progress in this area.

THE SAINT-GOBAIN GLASS SITE IN EGGBOROUGH RECOGNIZED FOR ITS EMPLOYEES' CONTRIBUTIONS TO ENVIRONMENTAL PROTECTION

The Eggborough site was named Britain's eighth most eco-friendly company in a Sunday Times survey for 2008. The factory's 196 employees can take pride in the results they achieved in reducing waste and CO_2 emissions, particularly through greater use of recycled glass in the manufacturing process, an area where the plant significantly outperforms its competitors in the flat glass industry.

BRØDRENE DAHL'S PROGRAM FOR REDUCING THE ENVIRONMENTAL IMPACT OF ITS DISTRIBUTION OUTLETS

Brødrene Dahl, part of the Building Distribution Sector, launched its Green Regions program in 2008, a package of initiatives designed to reduce the environmental impact of its fifty distribution outlets in Norway. The program addresses such issues as goods transport and vehicle emissions, waste management and packaging reduction, energy use in heating and cooling systems and recycling of waste and returned goods. In addition, Brødrene Dahl is working with suppliers to make sure their products meet its internal environmental standards and are packaged in recyclable materials. The company will also begin recycling waste generated by its customers.

Typology of Saint-Gobain sites

Our manufacturing processes present relatively few technological risks. Moreover, nearly 45% of revenue comes from building materials distribution, which poses very few risks to the environment. A breakdown of Saint-Gobain sites, including a list of those governed by special regulations, appears in the section entitled "Risk Factors", under "Industrial and environmental risks".

Minimizing waste and reducing consumption of primary raw materials

Our waste management priorities are guided by the EHS charter objective of zero unrecovered waste. They are as follows, in order of importance:

- Reduce the quantity of by-products generated
- Reuse these by-products internally
- When by-products cannot be reused internally, promote external recovery processes such as recycling or energy recovery through incineration
- As a last resort, bury final waste.

Waste reduction is therefore a priority for the Group. In 2008, concerned sites generated 3.5 million tons of production waste, compared with 3.7 million in 2007 based on comparable output and scope of consolidation.

The Sectors adapt this waste reduction policy to their own operations. For example, in 2005 and 2006 the Lapeyre and Point.P banners in the Building Distribution Sector jointly developed a waste reporting system – derived from Gaïa but adapted to the specific profile of distribution operations – that is now in the process of being deployed.

Point.P has also developed a fee-based waste disposal system, governed by strict specifications, for use by its customers who are invited to drop off their waste materials upon completion of a project and reload their vehicles with new materials. This service has the added benefit of generating a competitive advantage for the Group. Currently there are about 100 waste disposal points in service, and given its success the program is likely to be extended to other banners in the Sector, notably PUM Plastiques.

The real challenge of waste reduction lies in its recovery – in other words, recycling. Some of this recycling is performed within the Group at specialized companies like Valoref.

The more we use recycled materials, the more we reduce our consumption of primary raw materials. In addition to recovering our own waste products, we use recycled materials from external cullet, recovered scrap metal and other outside sources to ensure optimal use of raw materials.

Three materials that are critical to our operations – glass, cast iron and gypsum – are infinitely recyclable.

Glass

The primary method for reducing resource consumption in glass furnaces is to include cullet (crushed recycled glass) among the raw materials. By making new glass from recycled glass, the Group saves on both primary raw materials and energy: the waste glass collected has already been prepared, so the energy that would normally be used for its chemical processing is eliminated. Saint-Gobain has five facilities that produce cullet from its own waste glass. Located in France, Germany and Italy, these facilities mainly supply the Packaging Sector's furnaces. The Group also purchases cullet from external sources. There are two main constraints on glass recycling. The first is that it is difficult to recover clean, uncontaminated glass – an especially important consideration for flat glass manufacturing. The second is that the level of household waste glass being collected is stagnating in some countries, for a variety of reasons including declining alcoholic beverage consumption and changes in waste collection practices. The proportion of non-recycled glass used within the Group fell between 2007 and 2008 based on a comparable scope of consolidation. In 2008, glass furnaces at concerned sites used 13.2 million tons of primary raw material, compared with 14 million tons in 2007, 4.4 million tons of externally-sourced cullet, versus 4.1 million in 2007, and 2.8 million tons of internally generated cullet, unchanged from 2007.

Both the Insulation Division and the Packaging Sector use significant volumes of recycled glass materials in their furnaces. Use of cullet from internal and external sources has increased: in 2008 it accounted for 18.9% and 40.9%

respectively (compared with 9.8% and 38.3% in 2007 based on a comparable scope of consolidation) of glass wool production at the concerned sites in the Insulation Division, and 17% and 40% respectively of container glass production at the concerned sites in the Packaging Sector (versus 16.8% and 39.2% in 2007 based on a comparable scope of consolidation). Saint-Gobain Packaging recycles 100% of the glass it collects worldwide. The Sector is committed to intensifying its collection efforts to ensure a steady increase in the percentage of recycled glass used in its furnaces.

Although its quality requirements for cullet are stricter than those of the Packaging Sector or Insulation Division, the Innovative Materials Sector - Flat Glass pursues an assertive policy of recovering cullet generated at its own sites or those of its customers. Thanks to sorting practices and logistical solutions now in place – including the installation of cullet bins, operator training in sorting procedures and deployment of the necessary logistics – the volume of cullet recovered externally from processing plants (not all of which are concerned sites) rose by 3% between 2007 and 2008. Internal and external cullet accounted for 23.4% and 11.4% respectively of flat glass production at the concerned sites in the Innovative Materials Sector - Flat Glass, (compared with 25.8% and 8.1% in 2007 based on a comparable scope of consolidation). A video designed to educate employees about the importance of optimal, controlled cullet management was shown at all Flat Glass sites on International EHS Day 2008.

Cast iron

The Pipe Division uses two melting processes to produce cast iron: i) primary melting, which produces cast iron from iron ore in blast furnaces, and ii) secondary melting, in which cast iron is manufactured from scrap metal and recovered cast iron. The process used depends on numerous factors, including the host country's primary and secondary raw materials markets. Secondary melting demands a substantial regional scrap metal market, which exists in industrialized nations but not in developing countries such as China. In 2008 the use of primary melting increased, representing 71.9% of production at concerned sites (compared with 70% in 2007 based on a comparable scope), while 47.8% of finished cast iron was produced from recycled materials at concerned sites (versus 51.4% in 2007 based on a comparable scope).

Reducing product weight has been a major focus of our Research and Development efforts for several years now, since lighter products require smaller quantities of natural resources, less energy is used during the manufacturing process as there is less raw material to be smelted, and CO_2 emissions generated by the transportation of raw materials and finished products are also lower. The cast iron used in the 2005 Natural® pipe range weighs 25% less per linear meter than that of the 1990 K9 pipe range, as a result of ongoing enhancements to the centrifuging process and coating and fitting techniques.

Gypsum

The conversion of gypsum into plaster is an age-old process. Plaster is very environmentally friendly because it requires very little energy to be produced and can be recycled indefinitely. As with cullet, the only limitation on recycling plaster is the problem of waste sorting.
In 2008, at the concerned sites within the Construction Products Sector's Gypsum Division, 25.4% of finished gypsum was produced from recycled materials. Waste recycling facilities have been established in several countries. In Austria, the Ri-cycling program helps to protect the environment while also reducing costs. Buyers of Rigips-brand plasterboard are given Ri-cycling bags for collecting site waste, which is then reintroduced into the production cycle. This type of system can vary in scope, depending on the country and local demand. In the United Kingdom, for example, a comprehensive service is provided that extends from onsite collection to gypsum reuse and mechanical sorting to separate paper from other waste components. The service is being coordinated by a dedicated team at British Gypsum. In France, Placoplatre has set up a dedicated collection network for plaster waste, comprising recycling units at its three production sites in Chambéry, Cognac and Vaujours, 18 partner organizations that collect plaster waste. The service is projected to save over 1,000 tons of natural resources per month in 2009 and eliminate the need to bury an equivalent volume of waste at specialized centers.

Lastly, numerous initiatives are underway to recycle other waste products. For example, the Innovative Materials Sector – Flat Glass has launched a campaign to expand its stack gas pollutant recycling program. In Europe, all waste products generated by stack gas processing are recycled directly into the glass furnaces themselves wherever they are fitted with electrostatic precipitators, with the result that no additional waste is generated. In 2008, at Saint-Gobain Glass concerned sites, 62.7% of waste generated from stack gas processing was recycled into furnaces, up from 60.3% in 2007 based on a comparable scope of consolidation. CertainTeed, a US subsidiary in the Construction Products Sector, uses manufacturing scrap from Cedar Impressions exterior siding produced at its McPherson, Kansas, plant to protect pallet corners (Cobra Corner Guard) at its siding production plants in Hagerstown, Maryland, and Jackson, Michigan. The company is exploring the possibility of selling these new protectors to its customers.

2008-2010 OBJECTIVE

Saint-Gobain has set a target of reducing landfill waste at concerned sites by 6% between now and 2010, based on 2007 production output.

Reducing atmospheric emissions and energy consumption

Direct CO_2 emissions[1]

Reducing carbon dioxide (CO_2) emissions, primarily generated by glass furnaces, is a priority focus of Saint-Gobain's environmental policy. In 2008, the Group's concerned sites generated 13.5 million tons of CO_2, down 2% from 13.8 million tons in 2007 based on comparable output and scope of consolidation. The target is cut emissions by 6% between now and 2010 based on 2007 output. In all, our sites generated 14.3 million tons of CO_2 in 2008.

Nonetheless, our CO_2 emissions remain marginal, representing less than 0.3% of the greenhouse gas emissions allowances allocated in Europe, i.e. 6.5 million tons of CO_2 generated in the European Union countries participating in the emissions trading system[2]. For the period 2008-2012, the **EU greenhouse gas emission allowance trading scheme** applies to a total of 83 Group facilities, including 66 glassworks (one of which is not included in the calculation because its allowances are still being determined), one Pipe Division site, nine Gypsum Division sites, six Industrial Mortars Division sites that manufacture expanded silicates, and one combined heat and power plant.

Each Division does everything in its power to reduce CO_2 emissions attributable to its operations. At the glassworks, for example, each ton of cullet used in the melting process avoids 255 to 300 kg of CO_2 emissions (see above).

The lifecycle analyses are still performed within the Pipe Division to evaluate the full impact of technological upgrades carried out at its sites. The Division is also closely following the Ultra-Low CO_2 Steelmaking (ULCOS) project, a European Union initiative to identify and develop innovative methods for reducing greenhouse gas emissions in the steelmaking industry. Its goal is to halve CO_2 emissions generated by the current primary melting process.

In 2009, *Bilan Carbone™* emissions assessments will be performed for French subsidiaries, creating an assessment base for the French scope, with the aim of extending the process to the entire Group.

2008-2010 OBJECTIVE

Saint-Gobain has set a target of reducing its CO_2 emissions at concerned sites by 6% between now and 2010, based on 2007 output. The Group achieved a 2% reduction in 2008.

Operational energy consumption

Our energy expenditures last year amounted to €2 billion, 62% of which went to the purchase of fossil fuels. In 2008, energy use by our concerned sites stood at 61.1 TWh[3]. Every Group company recognizes the importance of reducing its energy use.

Glass production is powered primarily by fuel oil and natural gas. Energy consumption is being steadily reduced by replacing outdated equipment at the end of its life with newer, more energy-efficient equipment, and by enhancing combustion methods and refractory performance. The use of cullet, i.e., glass that has already been processed, also helps to save energy. For each 10% of cullet added to a glass batch, 2.5% to 3% of melting energy is saved. Around half of the furnaces used by the Insulation Division are fully electric and we also frequently use electricity in addition to fossil fuels to aid in the melting process, accelerate convection currents in the glass bath and ensure uniform treatment in the furnace. Elsewhere, electricity is used primarily to supply compressed air, heat the lehrs and power the cooling fans used in furnace shells and forming machinery. Centralized management, speed drive technology and advances in equipment design have all been instrumental in reducing energy consumption beyond the melting process.

The Pipe Division uses coke and coal to fire the blast furnaces and cupola furnaces, but also uses electricity and natural gas. The Division is focusing on improving energy efficiency at its plants, developing techniques for injecting oxygen and carbon-bearing matter into the melting process and relying more heavily on secondary melting when the raw materials are available. On acquiring the Xuzhou facility in China, we opted to launch an extensive project to modernize the site and improve its performance, drawing on existing best practices. Major funding was allocated for the project. At our site in Barra Mansa, Brazil, iron ore is smelted primarily using eucalyptus charcoal (biomass) (710 GWh).

The Innovative Materials Sector – High-Performance Materials has also demonstrated a serious commitment to reducing its energy consumption and developing innovative energy-saving solutions such as the plan adopted at its Hoosick Falls site.

[1] The quantities of CO_2 indicated do not include indirect emissions from road transport, employee travel to and from the workplace, business travel, electricity consumption, the purchase of steam from external sources, etc. They include both CO_2 generated from fossil fuel combustion and CO_2 resulting from chemical reactions.
[2] Calculated values.
[3] For competitive reasons, Saint-Gobain has chosen not to publish data on energy consumption by its various companies during 2008.

HOOSICK FALLS SLASHES ITS ENERGY BILLS

In the United States, the Saint-Gobain Performance Plastics facility in Hoosick Falls, New York, has just acquired a new regenerative thermal oxidizer (RTO), a more effective system for capping its emissions. The new RTO captures seven times the energy of the previous system, thereby slashing nearly a million dollars from the site's propane costs each year and reducing its annual greenhouse gas emissions by several thousand tons. To cut operating costs, the site worked with Saint-Gobain NorPro, which manufactures products for RTO systems, and developed ceramic tools specially designed for applications that produce high levels of dust. Eager to promote projects that improve energy efficiency in the state, New York's Energy Research and Development Authority awarded Saint-Gobain a $250,000 grant for the oxidizer project.

Transport-related CO_2 emissions

Our businesses give rise to transport-related CO_2 emissions at the various stages of the product manufacturing and distribution process. Transferring raw materials to the factory, transporting certain products to a second site for additional processing and delivering finished products to the distribution outlet all generate emissions.

The issue is of particular concern for the Building Distribution Sector, which has set up a reporting system to track these emissions. The system has enabled the Sector to streamline the delivery process by changing supply sites, modifying delivery routes and improving inventories.

The Lapeyre group has adopted a strategy of identifying alternatives to road transport, so that it can reduce the environmental impact of its transport operations in terms of pollution and CO_2 emissions. Lapeyre products arriving by ship at the port in Le Havre are now being transported by river to the logistics platform in Les Mureaux outside Paris, via the Port of Limay. This has enabled Lapeyre to replace over 1,300 road vehicles with 65 barges and, in the process, reduce its CO_2 emissions significantly, since transporting a container by barge generates half the carbon dioxide of overland vehicles. Lapeyre expects to expand its use of river-borne transport. Moreover, with its 11 factories across France, Lapeyre is choosing to transport its finished goods by river wherever the appropriate infrastructure exists. Barge transport substantially reduces the number of vehicles on the road and consequently leads to lower CO_2 emissions. Goods from outside France – such as tiles from Italy – are commonly transported via river links as well. This strategy of seeking out alternatives to road transport offers clear benefits in the case of the Building Distribution Sector, but is being adopted in other Sectors as well. For example, some 40% of Saint-Gobain PAM products are transported to their destination entirely via sea, river and/or rail links.

TIMBER REDUCES COSTS AND CARBON EMISSIONS

Timber, a company that supplies SGBD UK & Ireland, has tested an innovative system for reducing both its costs and its carbon emissions. The company chartered an entire vessel to transport wood from Sweden. At its first stop, at the port of Sheerness in Kent, the ship delivered cargo destined for London and south-east England. Additional cargo was then loaded for transport to Norman Ltd., an SGBD company based in Jersey, and the Moreys chain on the Isle of Wight.

To reduce truck fleet fuel consumption, Point.P and Raab Karcher in Germany have launched an extensive Responsible Driving program to educate their drivers on better driving practices that will save fuel and cut down on CO_2 emissions. This customized training has improved fuel consumption by as much as 15%. Several other initiatives are also being undertaken by Point.P. Various regional units in France are progressively capping truck speed at 80 kph, reducing consumption by 3%. In the greater Paris region and Bordeaux, vehicles are being equipped with onboard computer systems that display and monitor each driver's actual use of fuel and can help reduce consumption by up to 7%.

As part of its Responsible Procurement initiative, one of whose primary goals is to reduce carbon dioxide emissions, the Building Distribution Sector is taking steps to improve its fleets' emissions performance. Based on the results, these measures are likely to be extended to the entire Sector and to other Group facilities.

In addition, Saint-Gobain's purchasing department, SGA, is now using CO_2 emissions as a criterion when selecting vehicles for long-term lease, and is a member of the Transport taskforce at *Entreprises pour l'Environnement*, a non-profit organization of which the Group is a member.

CO_2 emissions and energy consumption at our office buildings

Energy-efficient buildings play an extremely important role in any strategy for reducing greenhouse gas emissions. That is why we have pledged to achieve a fourfold reduction in overall energy consumption and greenhouse gas emissions at our office buildings by 2040 as part of the company Actions for the Reduction of Energy by 4, or Care:4™ project. To do this, each building's thermal performance must be made consistent with the most stringent national standards such as PassivHaus and Effinergie. If no national standard exists, the building must meet the strictest possible target for energy content and the highest efficiency value for the local climate. The campaign extends to any heated or air-conditioned workplace owned by the Group, with the exception of production shops, warehouses and other similar spaces. An action plan governing new construction and major renovations was launched in 2008. Energy consumption for all new offices, training centers and other buildings apart from production shops, warehouses and depots must now be less than 80 or 120 kWh/sq.m, depending on the country. A diagnostic analysis of all existing buildings will begin in 2009 and the results mapped by 2010. Actions to upgrade the entire building stock will be taken between 2011 and 2040.

NO_x and SO_2

Some of our facilities – mainly glassworks and Pipe Division plants – emit sulfur dioxide (SO_2) and nitrogen oxides (NO_x), which contribute to acid rain. These two forms of emissions are regulated, in particular by the European Union's IPPC (Integrated Pollution Prevention and Control) directive aimed at reducing pollution generated by industrial plants.

Our different Sectors have been striving to cut their sulfur dioxide emissions for several years now by using higher-quality fuel oil or coal slack, lower their energy consumption and introduce desulfurization processes. As part of this initiative, we are investing in pollution control equipment for the Innovative Materials Sector - Flat Glass (see below). In 2008, glass furnaces at Saint-Gobain's concerned sites discharged 2.46 kg of SO_2 per ton of finished glass produced, while concerned sites in the Pipe Division discharged 1 kg of SO_2 for each ton of cast iron produced, representing a total of 38,094 tons of SO_2.

Saint-Gobain companies seek to reduce their nitrogen oxide emissions by emphasizing primary measures to prevent or limit NO_x production at source. Oxygen furnaces offer an interesting alternative; by eliminating the nitrogen contained in the combustion air, they produce substantially less NO_x. However, cost considerations make it difficult to adopt this technology in the Innovative Materials Sector – Flat Glass and Packaging Sector. The Flat Glass Division is continuing to work on developing primary methods for reducing NO_x emissions. A pilot furnace installed at its Calarasi site in Romania offers greater gas combustion efficiency, with the result that NO_x concentration in the resulting stack gas is less than 800 mg/Nm^3. In 2008, glass furnaces at concerned sites discharged 2.61 kg of NO_x per ton of finished glass produced, while Pipe Division concerned sites discharged 1.31 kg of NO_x for each ton of cast iron produced, representing a total of 40,944 tons of NO_x.

Volatile Organic Compounds

Volatile Organic Compounds (VOCs) derive from the organic matter used for various applications, including fiber bonding, binders for glass wool and abrasives, silicon carbide (especially polycyclic aromatic hydrocarbons), asphalt roofing shingles, solvent-based coatings for cast iron pipes and wood finishing and preservation products at Lapeyre. The release of VOCs into the atmosphere can pose a chemical danger to employees. Chemical risk assessments are planned on a broader scale so that we can gain a better understanding of these emissions and take corrective action to reduce them. In the Innovative Materials Sector – High-Performance Materials and at Lapeyre production plants, these analyses have already led us to develop a variety of new solutions. The Pipe Division has fine-tuned its applications for solvent-free coatings, such as epoxy powder for pipe fittings, cataphoresis for pipe connectors and, for municipal castings, autophoretic coating, a process developed in 2004 and adopted for use in 2007. Where there is no alternative to solvent-based paints, as is the case for pipes in particular, special equipment is used to capture and treat VOCs via oxidation on the production line.

Dust

We take vigorous steps to control dust emissions, as required by the IPPC directive. We have invested extensively in electrostatic precipitators and bag filters, depending on the type of furnace. In addition, particulates from the filtration process are increasingly being recycled at each site or recovered through appropriate channels (see below).

The Innovative Materials Sector - Flat Glass has adopted a range of measures to manage atmospheric emissions from its furnaces. Electrostatic precipitators have now been in use for a full year at plants in Auvelais, Belgium and Chantereine and Aniche, France. The Packaging Sector is in the final stages of installing these precipitators at each of its European sites; the impact on dust reduction will be measured during 2009. Over time, dust filtration systems will be installed at all of the Sector's facilities worldwide. In 2008, glass furnaces and glass production lines at concerned sites discharged an average of 0.36 kg of particulates per ton of glass produced.

The Pipe Division distinguishes between ducted dust and diffuse dust. For many years, Saint-Gobain plants have been capturing and treating the large volume of ducted dust they generate, drawing on advances in available technology to make ongoing improvements to their filtration systems. In 2008 the Pipe Division's concerned sites generated 1.03 kg of ducted dust per ton of finished cast iron produced following treatment. Diffuse dust emissions are less substantial but difficult to capture and treat. Diffuse dust is found only in metal melting areas and consists primarily of mineral substances. There is no standard methodology for quantifying diffuse dust emissions. Nonetheless, the Pipe Division began taking action in 2004 to improve the recovery and treatment of diffuse dust.

Other regulated substances generated by Saint-Gobain sites, primarily in the Packaging Sector and Pipe Division, are closely monitored. They include heavy metals resulting from impurities in raw materials, cullet and other furnace input. Based on levels of dust fallout in the vicinity of Group plants as measured by devices installed at several sites in France, our analyses indicate that these substances have a negligible environmental impact. Pollution control equipment, such as the electrostatic precipitators described previously, has proven effective in reducing emissions of heavy metals.

Reducing our impact on ecosystems

Flora and fauna

Although the processes used at Saint-Gobain do not, in general, pose a particular threat to local flora and fauna, impact studies are performed in most countries prior to the siting of a new industrial facility.

Soil

Each time a site is acquired or sold, regulatory compliance tests are conducted and the quality of groundwater is assessed. If any contamination is detected, appropriate measures are taken, such as pollution abatement, containment or monitoring.

Quarries

The Group operates 145 underground and open-cast quarries worldwide. Two thirds of these extract gypsum that is primarily used to make plasterboard.

The quarries are operated in an environmentally friendly manner in compliance with local and national regulations. During the extraction period, the effects on local communities and the environment are reduced to the greatest extent possible, including the visual impact of the operations, dust, noise and vibration, added road traffic and any hydrogeological or hydrographic repercussions.
When extraction is complete, the site is in each case reclaimed and restored. With open-cast quarries, the Group's aim is to return the land as nearly as possible to its original contours. Then the entire area is replanted, with high-density wooded areas composed of a variety of species, coupled with woodlands, meadows and ponds, to foster biodiversity. Since the start of the 1990s, the Gypsum Division in France has redeveloped more than 200 hectares (495 acres) of open-cast quarries in the greater Paris region and planted over 190,000 trees.

Indicators developed in 2007 by a working group have provided us with a profile of each mine and quarry site in terms of area, number of Saint-Gobain employees, production in tons of usable material extracted, type of site (active, dormant or closed), quantity of minerals sold or transferred internally, number of trees cut and planted, land area restored. As part of its ongoing efforts to address the environmental impact of its extraction sites, the Gypsum Division, which operates the largest number of quarries, is piloting the creation of a biodiversity policy.

Wood supplies

Preservation of natural wood resources is a major challenge for the Building Distribution Sector, which manufactures or sells a number of wood products such as flooring, timber frames, shutters and windows. The five banners with a particular stake in this issue are Lapeyre, Point.P, Optimera, Raab Karcher and Saint-Gobain Building Distribution UK & Ireland, which together account for more than 90% of the Building Distribution Sector's purchases of wood paneling.

Since March 2007, a Sector-wide environmental policy on wood has been in place to coordinate and bolster existing policies at individual locations. This new policy defines the Sector's stance on responsible procurement and sales and establishes uniform operating guidelines.
It is founded on two principles:

- Responsible procurement, which includes three major components: protecting endangered species of wood, ensuring that all the wood procured by the Group is legally sourced, and promoting sustainable forest management through the use of wood that is certified by the Forest Stewardship Council (FSC) and the Program for the Endorsement of Forest Certification schemes (PEFC). These are the primary labels encouraging sustainable forestry in accordance with strict ecological and social criteria.
- Responsible sales, as a means of promoting this policy at our distribution outlets. This requires that the Group provide training to its workforce and inform customers about the environmental aspects of wood products and product traceability (species, country of origin, certification, etc.)..

The Building Distribution Sector's environmental policy regarding wood, applicable at each of its banners, is one of continuous improvement, complete with quantified, scheduled commitments. For example, 80% of all wood purchases are to be sourced from certified forests by 2010. The policy will be reassessed on a regular basis.

The Building Distribution Sector is working to ensure that the wood products it sells and designs are consistent with this initiative. Woodprotect®, an innovative, 100%-natural product developed in 2006 by Lapeyre, is an in-depth treatment for wood. It contributes to preserving rare species such as tropical wood by giving European wood similar resistance properties. Lapeyre debuted the Woodprotect® product line in 2007. An Research and Development program is underway to apply this process to other Saint-Gobain Group products.

Enhancing our water management

Water enters into very few of Saint-Gobain's manufacturing processes, although it is used in large volumes to cool installations that operate at high temperatures. Water is increasingly being recycled internally, which considerably reduces the demand for natural water resources.

In 2008, based on 2007 output, the Group's concerned sites withdrew 89.7 million cubic meters of water, down 4% from 93.5 million cubic meters in 2007 based on a comparable scope. The target is to cut water withdrawals by 6% between now and 2010, based on 2007 output. In all, the Group's sites used 101.7 cubic meters of water in 2008.

Each Sector is examining ways of managing its water use more effectively. For example, the Pipe Division, which uses water to cool equipment, has introduced action plans to improve its water management and reduce withdrawals through recycling. The "Archimède" process, developed by the Pipe Division's Research and Development center, is being used to create interior cement coatings that reduce the need for water and raw materials.

Elsewhere, the Point.P group's ready-mix concrete and concrete products unit has adopted a policy for treating and recycling water used in the production process. Over time, each of its facilities will be equipped with settling tanks or recycling stations to ensure that recycled water can be returned to the manufacturing process or used to clean the vehicles.

OBJECTIVE FOR 2008-2010

Saint-Gobain has set a target of reducing its water use at its concerned sites by 6% between now and 2010 based on 2007 output. The Group achieved a 4% reduction in 2008.

III. Human resources development commitments

Human resources policies

In every host country, Human resources departments support our growth while responding effectively to local issues and challenges.

They build and develop skilled, motivated teams in alignment with the Group Principles of Conduct and Action, particularly the ones relating to professional commitment, respect for others, solidarity, a concern for workplace health and safety and respect for employee rights.

To implement our priority action plans, the Human resources community can draw upon a range of shared resources, tailored to local needs and conditions.

MANAGING TALENT

As a key component in our Human resources strategy, the talent management process was broadened and deepened in 2008. The process is designed to identify employees who are likely to assume positions of responsibility in coming years and offer them a personalized, motivating career path. It increasingly takes into account the growing importance of our operations in emerging markets, which are making our workforce more multicultural.

To ensure that talent management is both cross-functional and transparent, a variety of systems and programs make it possible to efficiently compare and exchange information.

The integrated Human resources information system deployed in 2007 provides executives, line managers and HR managers across the Group with full access to information and tools. Regular meetings at the Group, Sector and Delegation level enable stakeholders to work and make decisions together, while exchanging information and comparing feedback.

Shared resources, such as employee reviews and performance reviews have been introduced Group-wide, and a standardized talent identification form is circulated both at Group level and among the Sectors and Delegations.

Women receive special attention throughout this process (see page 67).

Preparing tomorrow's teams today

Once again this year, young applicants accounted for nearly one third (31%) of all new hires, with an especially strong inflow from emerging Asia, Latin America and Scandinavia.

Refreshing the age pyramid and building new teams

Well aware of the benefits of international experience and the acquisition of diversified skills, Saint-Gobain provides rising executives and other employees with opportunities for geographical and functional mobility whenever possible.

In most cases, hiring needs are still defined locally by the Delegations and companies, which devise the most appropriate hiring strategy for their market. Most have their own jobs website. Depending on their needs, they build relationships with national and regional schools and universities, offer internships, sponsor classes and coordinate on-site visits in order to introduce Saint-Gobain to students (see the educational support section in Part IV).

Each year, the General Delegations take part in university recruitment forums in many countries, nurturing ties with leading business and engineering schools through programs to sponsor a course or class year or to provide mentoring for selected students. These programs are particularly active in emerging economies, where our fast growth requires a wide variety of local skills.

SUPPORT FOR ROMANIAN STUDENTS

Saint-Gobain companies operating in Romania have taken part in a program to provide support to students studying economics and technology.
Backed by the Romanian government in collaboration with chambers of commerce in France, the United States and the Netherlands, the campaign brought together more than 60 locally based companies. Saint-Gobain offered 43 of the students jobs in sales, Human resources, purchasing and other areas.

SAINT-GOBAIN AMONG THE BEST EMPLOYERS IN GERMANY

According to a study by "Handelsblatt Junge Karriere" and the Corporate Research Foundation (CRF), university students and young employees rank Saint-Gobain in Germany, through three of its companies, the 15th best employer. Saint-Gobain was included among the 88 companies for which upcoming young Germans managers would like to work for.

Source: *2008 Yearbook.*

Internships during a student's final year of study are a particularly effective way of introducing our businesses and corporate culture to potential applicants, who can then be inducted more effectively into the Group upon completing their studies. Each year in France, for example, more than 1,000 interns receive training in programs lasting six months or more. The internships are government-regulated and remunerated according to a uniform recommended pay scale.

In close cooperation with the French Agency for International Business Development (UBIFRANCE), Saint-Gobain offers assignments worldwide to French students as part of the country's Volunteer for International Experience (VIE) program. Some 30 contracts were signed in 2008, bringing the total number of interns hosted since 2001 to more than 200. The United States, Germany and Britain were the top destinations for participants, followed by countries in Asia, Latin America and Central Europe.
On average, over 30% of VIE participants are subsequently hired, principally in the fields of industrial processes, finance and Research and Development.

A core component of the Group's strategy, innovation is driven by an extensive Research and Development commitment. As a result, particular care is given to recruiting researchers. Indeed, the global Research and Development workforce is steadily increasing, to support our major strategic initiatives and enhance Research and Development's contribution to organic growth. In 2008, more than 120 research managers were hired in the various Research and Development centers around the world.

Saint-Gobain is initiating long-term collaborative research projects with top-ranked university laboratories, with the ultimate goal of hiring researchers in strategic countries to help drive our local growth. Universities aligned with this objective have been identified and grants are now being offered for post-doctoral theses and internships (see the article on the SUN network on page 31).

Sustaining the Group's long-term development

The transfer of skills across countries and generations represents a critical challenge for Saint-Gobain, whose businesses rely on precise, complex skills and capabilities. This is an area where our Principles of professional commitment and solidarity play a critical role.

In keeping with these values, a Forward Management of Jobs ans Skills (GPEC) agreement was signed on March 19, 2008, by Chief Executive Officer Pierre-André de Chalendar and four French unions. The agreement is open-ended and was presented in detail to the works councils. The signatories emphasized their commitment to strengthening the role of collective bargaining, to defining a common base of Human resources planning procedures applicable to all of our employees in France, and to giving employees a voice in building their career path. The agreement also expresses our commitment to retaining older workers and to expanding work-study opportunities.

For the first time, the Group has deployed an agreement that applies to all of its subsidiaries in France, with the aim of developing a common skills management process:

"While reflecting the specific characteristics and needs of each business, organization and company, this agreement is designed to make current policies and practices more consistent, as appropriate, and to point the way towards a more effective shared approach to Human resources planning and management in the various companies within its purview" (excerpt from the introduction to the agreement).

Maintaining and passing on expertise is especially important in glassmaking, where the gradual transfer of acquired capabilities and skills poses a strategic challenge. A number of retired engineers, for example, continue to teach and instill their knowledge, notably at the Glass University, a forum for interaction and dialogue where skills can be handed on to a new generation of engineers.

Another initiative designed to facilitate the transfer of expertise is the Manufacturing Know-How Transfer & Training project (MKT2), which is designed for operators in the Flat Glass and Insulation businesses (see page 64).

THE FORWARD MANAGEMENT OF JOBS AND SKILLS AGREEMENT AND INITIATIVES TOSUPPORT OLDER EMPLOYEES

Signed in March 2008, the agreement comprises a large number of measures designed to retain employees who have reached the "second half" of their career:

- A mid-career review with the employee and his or her manager, to discuss the employee's skills, continued employability, training needs, personal situation and career development.
- A skills review and priority access to France's Validation of Learning through Experience (VAE) program, to encourage employees to map out a mid-career advancement plan.
- Procedures for applying France's Individual Right to Training program to employees aged 50 or older.
- Identification and transfer of critical knowledge and experience.
- An expanded tutoring program.

Encouraging and facilitating job mobility

Employee mobility is a powerful tool for driving growth and consolidating our corporate culture, as people change positions among our different businesses and country organizations.

The number of transfers has nearly doubled over the past decade across both Sectors and geographies.

The Human resources organization includes an international network of mobility managers who guide and supervise employees in planning their move. Combined into an integrated information system, a wide variety of systems and resources help to facilitate the exchange of information on employee aspirations and mobility opportunities:

- The annual performance review, where HR managers can identify an employee's interest in changing jobs in the near to medium term. In 2008, 76.5% of managers had a performance review with their manager, compared with an ultimate goal of 100%. The review is conducted using a standardized form that has been gradually deployed since 2008 and will be systematically used across the Group as from 2009.
- Employee reviews and succession planning, which are performed every year using the same standardized form in every unit. These reviews are designed to foresee possible changes in positions and people over the middle and long term in the various Sectors and Delegations, taking into account each employee's mobility aspirations.
- Easy transfers among Sectors and Delegations, supported by the circulation of a document describing available positions, current and future expatriate opportunities and other key mobility information.

In addition, employees looking to advance their careers have access to several internal sources of information:

- A frequently updated list of job openings, readily accessible on the intranet and classified by country, skills cluster and type of employment contract.
- The International Mobility Guide, which facilitates the process of relocating to a new country.
- Internal newsletters, which also play a role in informing employees about mobility opportunities. The "Postcard" and "Itinerary" sections profile employees and expatriates, providing insight into our various businesses from both a personal and professional standpoint.

EXPATRIATION: FAIRNESS, CONSISTENCY AND EFFECTIVENESS

To ensure equal treatment of employees and to improve transparency and effectiveness, the expatriation guidelines were revised, expanded, amended and harmonized Group-wide in 2008. In addition, an International Mobility skills center was set up during the year.

All of the procedures have been incorporated into a standard contract used for every expatriate, regardless of country of origin, destination and job position. This enables each Delegation to manage international mobility for its nationals in a similar fashion using the skills center's resources. At the same time, the International Mobility Guide has been revised to reflect these new guidelines.

EMERGING MARKETS: FOCUSING ON LOCAL MANAGEMENT

The talent management process, and mobility policies in particular, are designed to position the right skills in the right place, regardless of whether they are delivered by expatriate or local employees. In emerging markets, the Group is increasingly emphasizing local managerial talent.

Nationals already make up a substantial proportion of our executive teams:

- 72% in Central and Eastern Europe;
- 85% in Central and South America;
- 59% in emerging Asia.

The proportion is even higher among managers as a whole:

- from 85% in Russia to 97% in the Czech Republic, in Central and Eastern Europe;
- 99% in Brazil;
- 91% in China.

Saint-Gobain's executive leadership is following the same trend. Whereas in 2000, just two executives came from emerging markets, 10 attended the 2008 Group Executives Seminar for our 150 top executives. The Management Institute is preparing and training an increasing number of managers from emerging economies, a process that is gradually yet significantly increasing the percentage of host-country nationals in the Group executive team (see page 65).

Geographical and job mobility is not restricted to managers. Technicians are also offered opportunities to apply their experience abroad or as part of project teams in multicultural environments. In the Innovative Materials Sector – Flat Glass, for example, an average of 15 technicians and supervisors are posted to international assignments each year to help build or repair furnaces or to provide technical assistance at processing units.

Developing skills through training

In 2008, training expenditures amounted to 2.5% of total payroll. In all, 66.4% of employees and 76.8% of managers were able to attend at least one training course during the year. This was down slightly, but actually represents a return to prior-year levels after the extensive training activities in 2007. Note as well that access to distance learning is not systematically included in reported Human resources statistics.

Training policies are designed to support deployment of our strategic vision, notably by helping to develop employee capabilities in emerging markets and in building skills clusters. They are driven by three priority objectives.

Making training more accessible to all employees

To train the greatest number of employees, instructional courses and on-the-job training programs have been pushed far down to the local level with the support of the Delegations and local managers. Among the training activities aligned with this decentralized organization that were conducted in 2008 were a number of locally coordinated courses in a variety of skill-sets:

- Budget control classes, in Europe, the United States, Brazil, India and China.
- A risk prevention course attended by 209 participants in 13 countries, including the United Kingdom, Italy, the Czech Republic, Germany and Thailand.
- Training in the new managerial skills reference guidelines, attended by Human resources managers in every Delegation.

As our businesses expand into new markets, there is a greater need for training. In Latin America and emerging Asia, for example, the average employee receives, respectively, 54.5 and 37.7 hours of training a year, compared with a Group average of 24 hours.

EXPANDING THE USE OF DISTANCE LEARNING

Because they make training more accessible to every employee, regardless of location, distance-learning systems are used to:

- Train a large number of employees in a short amount of time. As part of the Competition Compliance Plan, for example, more than 15,000 employees were trained in the Comply module (see page 100).
- To support the roll-out of Group-wide initiatives. When a new performance review procedure was introduced, the Training Department created two training courses, translated into seven languages, which have already been given to 660 employees.
- To provide access to core information and knowledge. One example is the introductory finance courses that enable non-financial staff to acquire basic knowledge of the field.

Distance learning is open to all employees, and not just managers. It is widely used to deliver technical training, especially to sales representatives (in the Building Distribution Sector) and operators (in the Innovative Materials Sector- Flat Glass and Construction Products Sector). For example, the Manufacturing Know-how Transfer & Training project (MKT2) is helping to capitalize best practices in existing units and step up their transfer to new ones. After a successful launch in the Innovative Materials Sector - Flat Glass several years ago, MKT2 is now being deployed in the Insulation Division. Nearly 200 modules were created in 2008, representing more than 120,000 hours of training.

Supporting implementation of the Group's strategy

Training plays an active role in the implementation of our strategy, with major initiatives supported by training programs conducted Group-wide or within the Sectors and Delegations.

The drive to improve operating efficiency, consolidate technological expertise, deploy World Class Manufacturing projects and enhance environmental, health and safety performance is prompting the development of training programs that are regularly revised and realigned with the changing needs and trends in our businesses (see page 47). Technical courses accounted for 48.8% of all training in 2008, demonstrating our commitment to strengthening operating expertise.

Another goal of training is to expand our marketing capabilities. The School of Marketing, now in its third year, focused on training marketing professionals in 2008, with more than ten courses organized and attended by more than 150 employees during the year. The Institute also began to extend its activities into Asia, offering its first course in Kuala Lumpur in December. At the same time, the "SMKT2" sales and marketing training program has been launched in China, modeled on the "MKT2" program used in the production facilities.

The Building Distribution Sector is also developing the skills it needs by training low- or unskilled employees directly in-house. Since 2004 Point.P has been offering front-line employees (storeroom attendants, drivers, sales people) and local managers (store managers, shift supervisors, etc.) in France programs that enable participants to earn a Vocational Qualification Certificate. By the end of 2008, more than 2,000 employees had successfully completed certification.

Consolidating and instilling our corporate culture

Training courses and workshops also offer a prime opportunity for strengthening ties among the members of our corporate community. This is especially the role of the School of Management, which supports managers at every step in their career and serves as a unique crucible for cross-fertilization among our cultures, businesses and functions. In 2008, the Institute offered 23 sessions attended by 683 people. Its courses are designed both to teach and develop managers' skills expertise in fields targeted for improvement and to promote interaction and closer ties among managers from different Sectors, professional backgrounds and countries.

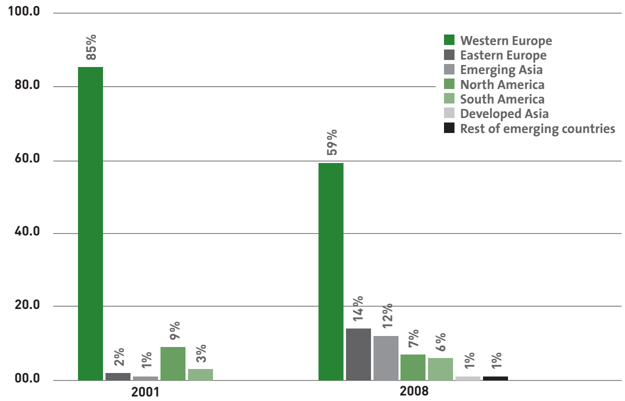
The School of Management increasingly mirrors our cultural diversity, with participants drawn from 46 different countries in 2008, compared with 26 in 2001.

At the same time, a new-hire orientation program known as FIND (Fast INDuction) was deployed on a trial basis in the Benelux countries during the year. Designed to ensure the smoother induction of new employees, the program combines traditional training techniques with distance learning as a way of introducing participants to the Group, our values and our culture.

THE SCHOOL OF MANAGEMENT: REACHING OUT TO DEVELOPING COUNTRIES

One of our priority objectives is to enhance local expertise in countries targeted for expansion. Reflecting this commitment, employees from emerging markets have come to make up a substantially larger proportion of the School of Management participants. In 2001, for example, there were just 15 students from developing countries, compared with 220 in 2008. Most of these participants are from the Asia-Pacific region and Eastern Europe.

School of Management students by nationality, 2001 vs. 2008



Expanding diversity and equal opportunity

Respect for diversity and opposition to every form of discrimination are enshrined in the Group Principles of Conduct and Action, and specifically in the principles of respect for others and respect for the rights of employees. These principles shape our Human resources practices at every step in an employee's career.

Saint-Gobain fully supports France's Diversity Charter, a business initiative launched in 2004, and has pledged to educate its executives and employees in the principle of non-discrimination and to strive to ensure that its employees reflect the diversity of its host communities. Moreover, since 2006, an annual report has been submitted to France's Equal Opportunities and Anti-Discrimination Commission (HALDE) on the programs underway to promote diversity in every aspect of our business. In late 2008, it was further decided to initiate negotiations concerning diversity as part of deployment of the Forward Management of Jobs ans Skills (GPEC) agreement in France.

In addition to these commitments, the Group is actively developing local initiatives in each host country, effectively aligning them both with local practices and culture and with the specific needs of each business.

SAINT-GOBAIN AND THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT INITIATIVE IN SOUTH AFRICA

The South African government's Broad-Based Black Economic Empowerment (3B2E) legislation is designed to enable historically disadvantaged South Africans to participate meaningfully in the country's economy.

Saint-Gobain, whose Construction Products Sector operates in South Africa, has deployed several measures to:

- Offer black employees opportunities to purchase shares in the company.
- Increase the proportion of black employees among the workforce, particularly at the managerial level.

Moreover, the commitment to empowerment was considerably expanded in other areas during 2008:

- Skills enhancement initiatives targeted to black employees, such as a Gypsum Division program to improve understanding of the Division's products and processes.
- Affirmative action programs for local suppliers, with preferential rebates granted to historically disadvantaged companies and invoices paid within two weeks. Suppliers in financial difficulty are also given preference in the selection process.
- Outreach programs to support underprivileged communities. Thanks to construction materials donated by the Group, the Niall Mellon Township Trust was able to build housing for disadvantaged residents of Capetown.

This commitment is part of a long-term process, with improvement objectives defined for each business. At the end of 2007, the Gypsum Division, which has made the greatest progress, stood at Level 7, indicating 45% compliance with the objectives. It advanced to Level 6 in 2008 and hopes to reach Level 4 in 2009. The other businesses operating in South Africa have set similar targets for the end of 2009, at Level 7 for the Insulation Division and Level 8 for the Pipe Division.

Fair hiring practices

At the Group level, every step in the hiring process, from advertising open positions to selecting curricula vitae and conducting interviews, is based on the most objective, professional criteria possible. Although specific practices may vary from one company or country to another, any form of discrimination is universally proscribed.

In France, **community outreach initiatives** have been organized in recent years, in association with Saint-Gobain Développement, to match young people seeking employment or vocational training with potential employers.

Since 2006, for example, we have helped to finance the "100 chances/100 jobs" program in Chalon-sur-Saône, which is designed to provide opportunities to struggling young adults. In 2008, Saint-Gobain coordinated the program, conducting mock interviews and site visits, and offering internships and work/study contracts. The results have been encouraging: of the more than 140 young people taking part in the initiative, 51% have found long-term employment since the program's start in 2004. Similar campaigns are also underway in Grenoble, Chambéry, Le Havre and Rouen.

In 2008, Saint-Gobain helped to found a national association whose role will be to coordinate actions undertaken at the regional level.

A FIRST-HAND LOOK AT THE "100 CHANCES / 100 JOBS" PROGRAM

Christian Chassan, a plant manager for Saint-Gobain Seva, served as the 2008 coordinator of the "100 chances/100 jobs" program.

"Several of our facilities played host to interns. It was a beneficial experience not just for the interns but for our employees as well, providing an opportunity for open dialogue and interaction.

"The contacts we made in the local community taught us how to work together more effectively: for example, we organized a number of joint taskforces with the Areva group on safety, training and the transfer of expertise.

"This type of involvement gives tangible meaning to the sometimes vague notion of 'corporate citizenship.'"

Source: *Le Mois en France*, October 2008.

POINT.P HELPS TRAIN YOUNG ATHLETES FOR THE WORKING WORLD

The Point.P group and France's Union of Professional Football Clubs (UCPF) are joining forces to provide training and permanent employment to young athletes who have completed vocational studies and are not pursuing a sporting career.

The group is also preparing to celebrate its ten-year partnership with the French Football League Cup, and these two alliances with the world of football (soccer) serve as a vehicle for conveying some of Point.P's core values:

- team spirit,
- solidarity among teammates,
- the drive to surpass oneself,
- competitiveness,
- the ability of sports to bring people together, without regard to social or ethnic differences.

Source: *Le Mois en France*, July-August 2008.

Fostering gender balance

Women accounted for 22.5% of new hires in 2008, and the **proportion of women** in the workforce increased slightly to 20.1% from 19.9% in 2007. Of the total, 75.3% were managers, administrative employees, technicians or supervisors.

The Group is committed to achieving a better gender balance, particularly at the managerial level, with regard to both hiring and access to positions of responsibility. Currently 16.6% of managers are women.

To help more women to advance up through the ranks, the Group has deployed a number of affirmative action initiatives:

- The percentage of women participating in our training programs is steadily increasing, to 21% in the New Managers program in 2008, 12% in the operational management courses and 30% in the classes on the Group and its businesses.
- A section devoted to gender issues is systematically included in employee reviews, which are especially important tools in managing careers and preparing succession plans.
- Periodic reports and an annual assessment are submitted to the Chief Executive Officer, describing progress in enhancing gender balance at each level of responsibility (executives, managers, supervisors, etc.) and within each business process.

A comprehensive analysis of the situation of women managers in the Group, addressing such issues as career planning, hiring and promotion, mobility and resignations, was presented to General Management in late 2008.

In addition to corporate initiatives, **local measures** have also been introduced to make a targeted impact aligned with conditions in each business or country. In the United States, for example, the Women's Network was created in 2003 by female managers in the North America Delegation. It meets on a regular basis to track and lead a number of programs, such as mentoring new employees, providing recruitment support and advice, and sharing information with networks in other countries.

Supporting integration of the disabled

Disabled persons represented 3.6% of employees in France in 2008, a 0.3-point increase for the year that reflected efforts by local subsidiaries to help the disabled become more integrated into the workforce. When employees become disabled, the Group is committed to retaining them whenever possible. Major steps have been taken to upgrade workstations, with the number of handicapped-accessible workstations in France increasing to 165 from 143 in 2007.

During the year, French action plans for mainstreaming the disabled continued to expand in a variety of areas, including hiring and retaining the disabled, outsourcing to sheltered workshops and companies employing people with special needs, and employee sensitivity training. At the same time, a disability task force comprising Human resources managers from the various businesses meets regularly to allow members to share their practices and enhance action plans.

A LOOK AT STEPS TO INTEGRATE DISABLED EMPLOYEES AT LA PLATEFORME DU BÂTIMENT STORES

Some remarks by the banner's Director of Legal and Corporate Affairs on its efforts to assimilate disabled employees into the workforce:

"We've been taking gradual steps since 2005. With regard to hiring, we worked with "*Vivre Autrement*", an organization that places disabled persons in temporary positions on a trial basis with the potential for permanent employment. During these training periods, managers are able to evaluate the employees' skill levels, and ultimately we offered a position to three of them. Another essential component of our policy is the use of subcontractors whose workforce is made up primarily of disabled employees. We use workers from these firms to maintain green spaces, prepare and deliver meals and seal envelopes."

Source: *Le Mois en France*, November 2008.

As in 2007, Saint-Gobain took part in several forums throughout France designed to give disabled students and young graduates a chance to meet with companies. The largest was the job fair organized in November as part of France's Disability Week by ADAPT, an association that promotes the integration of the disabled into society and the workplace. During one of the week's events, several Saint-Gobain teams played host to young visitors to let them experience an actual job or business activity first-hand for a day.

In addition, several Group companies are members of the "Tremplin" (Springboard) Association, which assists and coaches disabled students and graduates entering the job market and provides access to a network of employers in Greater Paris. Several have already joined the Group as interns or new employees.

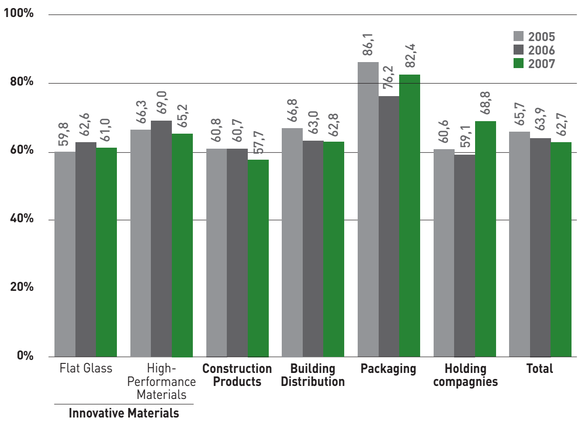
Group companies are also encouraged to use sheltered workshops, and several Sectors have set up outsourcing agreements with sheltered employment programs and companies with special-needs employees.

Honest, open, high quality social dialogue

In a given business, most of the social dialogue process takes place at the company or facility level, where it can deliver an appropriate response to local concerns and issues. Employee representatives negotiate and sign agreements with individual companies, in accordance with local legislation and practices.

In 2008, 63.4% of employees had an employee representative body in their unit.

Percentage of employees covered by a collective bargaining agreement, by Sector (current scope of consolidation)



Of the 1,479 agreements signed with employee representatives during the year, more than 30% addressed compensation issues, while a smaller percentage dealt with work organization, jobs and training.

In all, 62.7% of employees (99.4% in France) are covered by a collective-bargaining agreement.

European Social Dialogue

Since 1988, the European Social Dialogue Convention has helped to enhance the quality of the social dialogue process by addressing issues of mutual concern and facilitating the exchange of information, supporting both local negotiations with employee representatives and the Group's Europe-wide employee relations commitment.

Now comprising 70 union representatives from 20 European Union host countries plus Switzerland and Norway, the Convention's annual meeting offers an opportunity for General Management and employee representatives to exchange views on the Group's strategy and on various business, financial and employee relations issues of concern to all of our European subsidiaries.

A permanent secretariat provides a forum for more extensive and frequent dialogue with management. It currently includes nine members of eight different nationalities (German, French, British, Spanish, Italian, Dutch, Norwegian and Polish) who are provided with technological resources and receive time-off pay for the performance of their duties.

The permanent secretariat is led by a three-member committee comprised of a secretary and two deputy secretaries. This tends to be the most active part of the organization during the year, since it is responsible for monitoring the general process and ongoing day-to-day dialogue with management. In turn, management keeps the committee informed of any international transactions that affect the Group's scope of consolidation or structure.

The Convention is closely involved in all of our strategic events.

In 2008, a fifth amendment to the Convention agreement was signed to define a formal framework for European social dialogue procedures and initiate negotiations on the notification/consultation process.
General Management also asked to increase the number of meetings with the permanent secretariat in order to respond to questions posed by employee representatives with regard to the current business environment.

Assessments and surveys

Saint-Gobain continuously pursues dynamic, interactive dialogue with employees, through a variety of forums, surveys and interviews, in a commitment to fostering a sense of alignment among the various internal stakeholders and to effectively addressing employee expectations and aspirations.

A number of regular events enable managers to talk directly with General Management. Held four times a year, the *Carrefours Saint-Gobain* forums offer 200 to 300 managers an opportunity to gain greater insight into our strategic vision, as senior executives first talk about our strategic challenges, priorities and objectives, then answer questions from participants. At the most recent Carrefours in December 2008, their answers were later webcast on the corporate intranet, for viewing by employees across the organization.

Some of the Delegations and companies also regularly conduct surveys to gauge employee opinion at every level and define local action plans. This is the case at Point.P, for example. As well, the Brazil Delegation encourages its subsidiaries to survey their entire workforce every one or two years to assess employee views and expectations on Group strategy, the image of the company and the Group, working conditions and the extent to which their personal aspirations are being fulfilled.

The annual performance reviews described above are also an invaluable opportunity for management to dialogue with each employee. As a core component of our Human resources process, these reviews will eventually be conducted for every manager and are strongly recommended for non-managers as well. They enable employees to review their current job performance with their direct manager; assess their results compared with the objectives set at the start of the period; identify the skills required, acquired or in need of improvement; set goals for the period to come and define the resources to meet them; and formulate and test plans for advancement in light of opportunities available within the Group.

General Management is also committed to nurturing dialogue with employee representatives. At the annual European Social Dialogue Convention, the Chief Executive Officer presents the Group's strategic vision and responds to questions from participants.

Employee compensation and profit-sharing

Wages

Compensation policies are designed to be fair, motivating and transparent. The Delegations set base salary scales for their region by country and business, in line with market practices. Each company sets employee salaries based on its business and its financial and employee relations situation. Wages of manual workers and non-managers are at least in line with the levels defined in the collective-bargaining agreements.

In Western countries, wages are inflation-adjusted over a multi-year period to take account of employee purchasing power and cost of living. In emerging markets, wages are regularly increased to reflect the acquisition of new skills and the dynamics of the local job market, thereby helping to improve employees' standard of living.

In addition, to foster team spirit and ensure that every employee has a stake in his or her company's success, the Group encourages member companies to sign discretionary profit-sharing agreements whenever possible. In France, 96.1% of employees were covered by such an agreement in 2008, with the French subsidiaries paying a total €63.6 million in profit-shares for the year, or 4.1% of total payroll.

Managerial compensation generally includes a bonus, governed by rules set at the Group level and tailored to each region based on local conditions.

Supplemental benefits

In most host countries in Europe, Asia and Latin America, subsidiaries provide employees with **supplemental healthcare and other benefits**, as well as stipends for meals and occasionally for transportation. While varying considerably from one country to the next, these benefits frequently exceed the employer's legal obligations and are defined in accordance with local standards of living. The Brazilian subsidiaries, for example, offer supplementary benefits in the areas of healthcare coverage, life insurance and pensions.

The Group Savings Plan

Since 1988, the Group Savings Plan has helped to give employees an even greater stake in their company's earnings and growth by enabling them to become shareholders under preferential terms. They are not only offered shares at a discount, but in some countries they are entitled to an attractive matching contribution as well. In exchange, investments in the Plan must generally be held for a period of five or ten years. At the end of 2008, Plan funds held 7.8% of Compagnie de Saint-Gobain's outstanding capital.

The Plan is currently offered in 40 countries, encompassing more than 80% of our workforce.

Employment data

At current scope of consolidation, Saint-Gobain had 209,175 employees in 59 countries as of December 31, 2008, compared with 205,730 employees a year earlier.
More than one third (35%) worked in the Building Distribution Sector, with the percentages of the other businesses ranging from 24% for the Construction Products Sector to 7% for the Packaging Sector.

Total headcount rose by 3,445 people during the year, led by acquisitions. The Construction Products Sector accounted for most of the increase, followed by the Building Distribution and Packaging Sectors. The number of employees declined in the Innovative Materials Sector, for both Flat Glass and High-Performance Materials.

By contrast, on a comparable scope of consolidation basis (like-for-like), headcount trended noticeably downward over the year, by 7,464 people, as a result of the global crisis.

By Sector

Innovative Materials

Flat Glass

The Flat Glass workforce declined by 1.5%, or 570 people, like-for-like as the business responded to the crisis. Automotive flat glass subsidiary Sekurit began reducing its workforce after automobile markets collapsed in the final quarter, while the Spanish construction glass subsidiary significantly scaled back headcount following the severe recession in the local building industry.

High-Performance Materials

The number of High-Performance Materials employees declined by 3.9% or 1,240 people like-for-like.
The Abrasives Division bore the brunt of the cutbacks, especially in Spain, Germany and the UK. In the United States, 700 jobs were lost following the closure of a Reinforcements facility.

Construction Products

The Construction Products Sector saw its workforce decrease by 4.5% or 2,392 people, like-for-like. Most of the reduction came in the United Kingdom, Spain and the United States, where the crisis had an immediate impact on markets. In the US, for example, the Gypsum Division was forced to reduce its workforce by 527 employees. The Pipe Division, with Saint-Gobain PAM, held steady overall despite some reductions in Spain and the United Kingdom.

At current scope of consolidation, the integration of Maxit's teams increased the Mortars workforce to 9,792 people from 5,135 at year-end 2007.

Building Distribution

Total employment in the Building Distribution Sector declined by 4% or 3,061 people like-for-like, as all of the banners in France, the United Kingdom, Spain, Benelux and Germany reduced headcount in response to falling demand in the construction markets.

Packaging

Employment in the Packaging Sector remained relatively stable, declining by just 2% or 323 people, like-for-like. This primarily reflects the Sector's commitment to driving continuous improvement in operations and efficiency, which has enabled a steady reduction in its workforce.

By Delegation

On a comparable scope of consolidation basis, the number of employees declined in almost every Delegation during the year. The steepest reductions occurred in the regions most affected by the market slowdown, such as Spain/Portugal/Morocco (down 13.8% like-for-like), the United Kingdom and Ireland (down 11.8% like-for-like) and North America (down 9.1% like-for-like). Only Brazil and India reported an increase in the number of employees.

Separations

The separation rate held steady at 18.3% in 2008.

- Attrition rose slightly, to 13.2% from 12.9% in 2007.
- The resignation rate stood at 7.1%, down 0.6 points. The rate is traditionally higher in the Building Distribution Sector, where turnover is more frequent, but at 9.2%, it was still below the industry average. Resignations are likewise more common in Eastern Europe (11.6%) and emerging Asia (9.1%), where buoyant job markets are conducive to higher turnover. In most cases, separation reviews are performed to identify the reasons for leaving.
- The overall termination rate stood at 5.8% in 2008, a 0.6-point increase over 2007. The rate primarily rose in Europe, where business slowed sharply in late 2008.

Job protection plans

Layoffs or restructuring programs are carried out only when they are unavoidable to preserve the financial health of the subsidiary or Sector in question. In such cases, the Group's size and diverse business base offer a wide variety of opportunities for inplacement transfers.

In France, Saint-Gobain Développement is spearheading an active support process designed to place as many of the affected employees as possible in new positions. In particular, local job centers deliver ongoing, personalized support, even after the work site has closed.

Procedures are also in place to address the professional, material, psychological and personal consequences of losing one's employment. Depending on their needs, for example, employees enjoy access to additional training, relocation assistance, spousal job placement or support for pursuing a personal project.

Hiring

The hiring rate declined to 16% from 20.1% in 2007, with the most significant reductions occurring in the Building Distribution and Construction Products Sectors. Hiring rose only in Asia, in both developed and emerging markets, and was stable in Latin America. The economy in these regions was not as hard hit by the crisis in late 2008, with the result that our local business remained firm over the period. By contrast, regions that felt a sharper slowdown, such as Western, Central and Eastern Europe and North America, had to scale back operations and therefore hiring.

Use of temporary workers and subcontractors

Temporary work

Temporary workers are used primarily when there is a lack of visibility for certain incoming orders, recruitment is temporarily hampered or absent employees need to be replaced. The absenteeism rate was 4% in 2008, versus 3.4% in 2007. The most common causes of absenteeism are illness, maternity leave and workplace accidents.

Suitable for filling vacancies of short or unforeseeable duration, temporary workers are used to replace absent employees, bridge a transitional period or respond quickly to a major need for manpower. Hours worked by temporary personnel represented 6.5% of total hours worked in 2008, a decrease from 7.3% in 2007, with the decline reported in all of our industrial operations.

Fixed-term employment contracts are more effective for assignments spanning several months, such as to replace workers on maternity leave or extended sick leave, or to handle spikes in production resulting from large orders.

The percentage of Group employees on fixed-term contracts fell to 4% in 2008, from 6.2% in 2007.

At year-end 2008, 48.5% of fixed-term employment contracts in the Group were converted to permanent contracts.

Subcontracting

Group companies in every host country use subcontractors to perform certain activities that fall outside their core competences:

- The most common are ancillary tasks such as security, maintenance, cleaning, catering, medical services and, at smaller units, payroll, information technology and accounting.
- Other tasks that are sometimes outsourced are packaging, goods transport and various handling tasks. While related to product production and distribution, these services remain peripheral to each Sector's core business.

Before signing an outsourcing agreement, subsidiaries are required to verify that the partner company's operations and employment contracts comply with applicable legislation. Employees of service providers and subcontractors working on a Group site are expected familiarize themselves with site safety standards upon their arrival. During their presence on-site, they are subject to the same health and safety rules and regulations applicable to Group employees working at the same facility. They receive specific training in these areas as needed.

Employee categories

Managers

The proportion of managers rose slightly during the year, to 12.3% from 12% in 2007.

In Western countries, where our longer history is reflected in a greater number of head offices and Research and Development centers (especially in France and the United States), the proportion of managers is generally higher than in emerging markets. In 2008, women accounted for 16.6% of managers and men 83.4% in 2008[1].

Administrative employees, technicians and supervisors

This category, which also includes sales personnel, rose to 40.5% of the total workforce from 39.2% in 2007.

In 2008, women accounted for 32.7% and men 67.3% of the category.

Operators

Operators represented 47.3% of the total workforce in 2008, a 1.2% decline over the year that was offset by the increases in the other two categories. Women accounted for 10.5% and men 89.5% of the category in 2008.

Working conditions

Shift work

Shift work primarily concerns the manufacturing operations, where it is organized in response to technical production requirements. Distribution operations are not generally organized in shifts.

The proportion of manufacturing employees working in shifts declined by 3.6 points to 31.7% in 2008. Days may be organized into two, three or more shifts, in the case of round-the-clock production 365 days a year. Group-wide, round-the-clock production is performed in cycles, with alternating active and idle periods. In every country, shift workers work fewer hours a year than day workers.

In Building Distribution, customer needs at certain banners sometimes require that employees work in shifts. This is the case in Brazil, for example, where some stores are open 24 hours a day.

Overtime

To respond to a temporary increase in workload, some Group companies are occasionally required to request their employees to work overtime. On average, overtime represented 4.1% of all hours worked in 2008.

Part-time work

Part-time work is generally unsuited to industrial work patterns and concerns only 3.2% of the workforce.

[1] These figures originate from PeopleGroup, the Group's manager information system.

IV. Values supporting responsible growth

Communicating Group values

Saint-Gobain's response to the challenges of sustainable development is rooted in the values shared by all our employees.

These shared values are enshrined in the Group Principles of Conduct and Action, which everyone in the corporate community is expected to apply.

The Principles have been translated into more than 30 languages and distributed to employees on every site in our 59 host countries.

In addition, their importance was emphasized in a vast employee communication campaign deployed in 2007 and 2008, in particular with articles presenting points of view and best practices in the various countries.

ARTICLE EMPHASISING THE PRINCIPLE OF LOYALTY

The viewpoint of the Sales & Marketing Director, Saint-Gobain Hanglas China:

"In my view, loyalty is not an exceptional quality; it is the basis of professionalism. Like all company employees, I represent Saint-Gobain, and my main priority is to defend its interests. It is something that is constantly on my mind, and my commitment to Saint-Gobain is recognized in the same way as my professional skills are.

Source: *The Month*, June 2008.

Over the years, dedicated national and regional management seminars have been organized to present and explain the Principles, with the aim of gradually covering all of the host countries, particularly those deemed to be more "at risk."

The Responsible Development Department coordinates programs to ensure that the Principles underpin daily management practices. For example, the Principles are often referred to in many employment contracts, a practice that is currently being extended across the organization. The Human resources Department's standardized performance review form, which is primarily intended for managers, includes a question on compliance with the Principles and their practical application, while other corporate departments, such as Purchasing and Environment, Health & Safety, have prepared charters adapting the Principles to address their specific issues. In addition, Delegations in the United States, India and other countries have drafted local charters extending the Principles in their region.

Lastly, the Responsible Development Department participates in all of the thirty management seminars organized every year by the Group Training Department. The General Delegations also arrange targeted awareness-building initiatives for employees in their respective territories, in liaison with the Responsible Development Department.

More effectively preventing business risks

Compliance with competition law

The effectiveness of our risk prevention mechanisms depends to a large extent on ensuring that management and employees embrace and strictly observe the Principles of Conduct and Action.

As soon as it learned in March 2007 about the European Commission's planned investigation of the construction glass business, the Group took vigorous action by implementing a Competition Plan designed to reinforce managers' awareness of the need to comply with competition law. Clear rules have been introduced in every host country, benchmarked to European law whenever local legislation was too lax.

Since then, the Competition Plan has been gradually deployed across the Group by Group senior management:

- More than 15,000 managers have attended the "Comply" e-learning course, which has been translated into 12 languages.
- More than 1,500 managers in eight countries have attended two to four-hour intensive courses with lawyers.
- 48 unannounced audits have been performed, covering more than 200 people across all Sectors in 13 countries.
- In September 2008, 23,000 managers received a copy of the Practical Guide to Competition Compliance, which reviews competition rules, banned practices and the consequences of non-compliance. It has been translated into 13 languages.

Also in September, the Competition Plan's initial results were presented to the Group's 150 top executives, to strengthen their support for compliance. At the same time, the executives decided to push the Comply e-learning course further down the management pyramid, pursue the intensive courses in every country, support compliance through unannounced audits and clearly affirm the principle of zero tolerance.

**COMPETITION LAW:
ACQUIRING THE RIGHT REFLEXES**

Viewpoint of the Head of International Legal Affairs in charge of competition issues:

"It was very important to improve employees' awareness of this issue, especially those who occupy positions of responsibility, or who work in sales and marketing. In addition to ensuring they know the rules, the course aims to remind participants of the position of risk they may put the company at by acting illegally. There are the obvious financial risks and the risk of tarnishing the company's reputation, but in some countries employees also run the risk of facing personal legal action."

Source: *The Month*, July-August 2008.

Responsible procurement

The responsible procurement process launched in 2006 is based on a Buyers' Charter that provides guidelines for routine purchasing practices. In 2008, the Purchasing Department, in association with the Responsible Development Department and the Environment, Health & Safety Department, recommended to Group senior management that the approach be taken to the next level by including social and environmental criteria in the supplier selection process.

The process has been gradually rolled out within the organization:

- The responsible procurement strategy has been communicated by Group senior management.
- Sustainable development clauses have been inserted in the general conditions of purchase.
- Risks have been identified and methods defined for the pilot projects concerning industrial gases, temporary staff and transportation.
- All of the buyers have received the Purchasing Charter and been asked to sign for their copy, thereby emphasizing the charter's importance. The 2008-2010 Purchasing Action Plans also include sustainable development initiatives, to reduce energy and raw materials use, optimize logistics flows, and manage the corporate vehicle fleet's carbon footprint.
- Suppliers have been encouraged to improve their environmental performance through the introduction of a self-assessment questionnaire and a Suppliers' Charter, which were tested on a small group of suppliers before being deployed more widely. The documents are designed to raise supplier awareness of our commitment to selecting partners that demonstrate the highest compliance with sustainable development principles.

More generally, to improve risk identification and prevention, sustainable development considerations are being built into all of the internal control and audit processes. (For more information, refer to the section on internal control procedures at the end of this report.)

Contributing to the development of local communities

Our decentralized organization, spanning nearly 60 countries across the globe, means that we can act as a good corporate citizen in all of our host communities, by effectively responding to their specific characteristics and needs.

We have long encouraged non-profit initiatives at the most appropriate level (Delegation, company or site). Local organizations are empowered to determine the most effective type of initiative, which may include setting up a dedicated structure, working with non-governmental organizations (NGOs) on a specific project or on a regular basis, or supporting employee involvement in outreach programs.

In 2008, nearly €3 million was invested in non-profit initiatives, while employees were actively encouraged to get involved as volunteers.

Some of these initiatives are organized and coordinated by dedicated structures:

- In North America, the Saint-Gobain Corporation Foundation is managing three programs to provide funding to NGOs and to support or organize charitable initiatives based on the needs of local facilities and employee wishes.
- In India, the Saint-Gobain Foundation supports educational projects as part of the local Delegation.
- Since 1999, the PAM Foundation in France has assisted young people experiencing social or financial difficulties by offering them mentoring support by Group employees.
- Also in France, the Gypsum Division's Fondation Placoplatre® prepares young people for jobs in the construction industry and supports local environmental initiatives.

These are just a few examples of the broad array of programs underway within the Group.

INTERNATIONAL CORPORATE FOUNDATION “SAINT-GOBAIN INITIATIVES”

In addition to these local initiatives, Saint-Gobain has created a corporate foundation to enhance the consistency of its non-profit programs.

As leader in the construction market, Saint-Gobain believes that it has the responsibility to support the work of non-profit organizations in areas that are aligned to the strategy of the Group. Establishing the international corporate Foundation “Saint-Gobain Initiatives” is one way in which we can meet this objective.

Created in late 2008, the Saint-Gobain Initiatives Foundation supports projects proposed by employees in three focus areas:

- Youth integration through work in the housing sector,
- Construction, refurbishment or renovation of social housing for general interest purposes, and
- Energy efficiency and environmental protection in social housing.

Supporting local economic development

In most host countries, Group companies nurture a close relationship with professional organizations and local authorities, while the General Delegations actively participate in industry associations and chambers of commerce (or similar bodies), and are in regular contact with national government agencies.

In addition to these basic community outreach programs, Group companies help to develop their local employment catchment areas, thereby fostering a favorable economic environment.

Relations with local communities are the most highly structured in France, where our presence is densest. This is primarily due to Saint-Gobain Développement, which supports local development and the revitalization of employment catchment areas.

Its contribution to the local economic fabric is multi-faceted, from forging partnerships with small- and medium-sized enterprises (SMEs) to participating in regional events and providing support to local development networks and organizations.

- To support growing SMEs, Saint-Gobain Développement offers a comprehensive range of solutions, such as unsecured, low-interest participating loans, expertise sharing and skills transfers, as part of a long-term “manufacturer–entrepreneur” partnership. In 2008, Saint-Gobain Développement signed 127 agreements involving more than €1 million in loans, thereby helping to fund the creation of 482 jobs in our host communities. Most of the loans were first granted to companies involved in the environment.
  In addition, Saint-Gobain Développement offers SMEs the services of a skills transfer specialist, who supported 54 companies in 2008, sometimes with input from Group employees on specific issues.
  Saint-Gobain Développement also continued to extend its work outside France through its Partenariat France initiative, which supported the import/export projects of three SMEs in the Czech Republic, China and Belgium in 2008. Our extensive presence in these countries meant that our local operations could provide assistance and house the company’s VIE interns.
- In a commitment to strengthening its corporate citizenship outreach and forging ties with local economic development stakeholders, the Group takes part in a number of programs to support local and regional development in France:

  - The Alizé Local Intercompany Initiatives in Employment Areas enable large corporations and government agencies to pool their technical and financial resources to support business development in a given region. Saint-Gobain Développement has participated in these programs for several years now and is particularly active in the regions of Valenciennes, Dieppe and Savoie.
  - A national network of regional centers for technical support and innovation, known as Creati, brings together government agencies and large corporations in a given region to support SME innovation projects and contribute the necessary capabilities. Saint-Gobain is involved in Creati centers in the Ile-de-France, Picardie and Aquitaine regions.
  - We are also active in economic development networks and participate in the annual meetings of local economic agencies in our host regions.

LAUNCH OF THE CREATI NETWORK IN PICARDIE

In 2008, Saint-Gobain was the impetus behind the creation of the Creati Partech network in Picardie.

Officially launched in April, the network brings together large corporations, such as Arcelor Mittal, Vinci Energies and EADS/Airbus, and research institutions, like the *Centre Technique des Industries Mécaniques* (CETIM), the *Institut Français du Pétrole* (IFP), and the *Laboratoire départemental d’analyse et de recherche de l’Aisne*.

Saint-Gobain has led the network since launch, with a projected budget of more than Ð1.3 million.

- Saint-Gobain Développement further focuses on fostering deeper local relationships in so-called "sensitive" regions. In late 2005, for example, the Group signed a charter with local authorities in the grouping of suburban towns north of Paris known as Plaine Commune. Our local companies are now actively involved in creating jobs, through visits to schools and participation in job fairs.

VISITS TO SAINT-GOBAIN FACILITIES IN THE PARIS SUBURBS

The Tourist Board for the Seine-Saint-Denis *département* bordering on Paris renewed its program of visits tolocal companies in 2008. During a guided tour led by managers or engineers, visitors were given the opportunity to learn about different jobs, techniques, workplace environments and manufacturing processes. A total of 400 local employers took part in the program, including the Placoplatre® factory in Vaujours, La Plateforme du Bâtiment warehouse outlet in La Courneuve and the Lapeyre la maison store in Gournay-sur-Marne.

Source : *Le Mois en France*, March 2008.

Lastly, Saint-Gobain also helps employees who want to create their own business. The feasibility of each project is carefully examined through in-depth studies, to enhance the prospective entrepreneur's understanding of his or her business model. Approved projects are entitled to technical and financial aid and/or coaching over a five-year period. At end-2008, an estimated 37 projects were "active," in the sense that they were receiving financial support and their progress was being tracked.

Our support also has a considerable knock-on effect, since successful projects often result in the creation of several jobs.

Supporting education and training

Saint-Gobain provides support for education at every level, from secondary schools to universities, and in a variety of forms, including equipment donations, site visits, participation in national programs and assistance in technical training classes. Locally, this support often comprises assistance in building primary schools, equipment donations to schools and scholarships for troubled youths.

Nationally and internationally, certain subsidiaries also organize contests on subjects related to their business, as an opportunity to raise young people's awareness of specific issues. In Eastern Europe, for example, subsidiaries in the Construction Products Sector have partnered with architecture schools in Romania, Bulgaria and Croatia by supporting and participating in architectural competitions. This approach offers a number of advantages; it places students in a real-world work environment, transfers knowledge and demonstrates Saint-Gobain products, and provides opportunities for students from different universities to interact.

Supporting technical and vocational training is another major focus for our subsidiaries, as they can leverage their skills and capabilities and offer targeted training programs that meet the specific needs of their businesses. Students from nearby schools are frequently invited for on-site visits, allowing them to discover our businesses in greater detail, connect what they learn in the classroom with the actual workplace practices and explore the possibility of working for the Group.

Other sites are involved in programs to support young people as they enter the workforce. A Flat Glass subsidiary in Germany, for example, has deployed an initiative for high-school students and apprentices in their senior year. The concept was easy to implement, with several employees volunteering to mentor seniors in preparing their résumés and job applications and to conduct mock interviews. This has proven to be quite effective, since upon completion of the program, every participant was accepted for an internship or job.

THE SKILLS FOR LIFE PROGRAM FOR UNDERPERFORMING SCHOOL CHILDREN

One of the Saint-Gobain Corporation Foundation's flagship initiatives, the Skills For Life learning laboratory was established in 1989 to increase students' skills in core subjects such as math and English (written and spoken).

Every year, more than 180 students participate in the program in several regions of the United States. The latest school to host the learning laboratory is in Louisiana, where the Foundation installed 30 computers and helped bring in assistants and teaching materials. The school was chosen because it is in one of the areas worst affected by Hurricane Katrina.

The Group also encourages its subsidiaries to take on young people as part of on-the-job training schemes, such as work/study programs, apprenticeships and skills certification programs. In 2008, these young trainees accounted for 2.2% of the workforce in France.

Encouraging solidarity and supporting cultural activities

Saint-Gobain is involved in a wide variety of corporate patronage programs, through the direct participation of employees or by providing financial support for charitable organizations. Some of the most popular issues are healthcare, support for underprivileged people and cultural programs.

Healthcare

All of the subsidiaries and Delegations in Europe and North America encourage employee involvement in initiatives supporting health-related projects. Employees regularly participate in national campaigns to raise money for charitable organizations, such as the Together project in the United Kingdom, the Telethon in France and Télévie telethon in the Benelux countries. Many sites also participate in blood drives, offering an opportunity for a large number of employees to donate.

In countries facing certain social and health problems, subsidiaries often deploy more local initiatives, most often designed to meet the leads of neighboring communities. This is the case in India, where for several years, Saint-Gobain Glass India has organized campaigns to help prevent eye diseases. More than 9,000 children have been examined and more than 300 have received treatment.

AIDS awareness-raising campaigns are also organized, with subsidiaries in South Africa playing a particularly active role.

Solidarity with underprivileged people

Solidarity is often expressed at a very local level, to provide direct assistance to people in the host community in the form of toys, clothing and other items donated by employees. Donations are also made through local specialized organizations, such as the Red Cross in many countries or more specifically, the United Way of Massachusetts in the United States. For 85 years, our US subsidiaries have contributed to the United Way, the country's largest charitable organization.

In South Africa, the Construction Products Sector subsidiaries provide financial support for the Niall Mellon Township Trust, which helps underprivileged people build their homes. Lastly, some of these initiatives are designed to promote international solidarity. In France, head office teams enthusiastically participated in the first inter-company challenge organized in the La Défense business district by the Action Contre la Faim association, raising more than €2,500 for its campaign against hunger.

ROMANIA: A SOCIAL PROJECT FOR ISOVER FRANCE

The Isover team at the new Chemillé plant in France chose a rather unconventional approach to formalize the first meeting of all of its members: a group humanitarian project in Romania. Under the aegis of Isover France and Habitat for Humanity "Romania", 26 members of the Chemillé team were able to participate in the construction of social housing. This was an opportunity for them to get to know each other better and develop closer relationships, and also to exchange thoughts with the Isover team in Ploiesti, Romania.

Source: *Isover news*, October 2008.

CHINA: SAINT-GOBAIN OFFERS SUPPORT TO EARTHQUAKE VICTIMS

Saint-Gobain wanted to contribute to the Chinese government's response by providing aid to the victims of the terrible earthquake that struck Wenchuan, Sichuan Province, southwest China in May 2008. Saint-Gobain decided to donate RMB 1 million and the 12,000 Saint-Gobain employees in China organized a collection in the 50 local companies which raised RMB 1.86 million.

Saint-Gobain also undertook to support recontruction projects in the cities affected by the earthquake, by supplying free construction materials.

Source: *2008 Yearbook*.

Culture and research

Among the many local initiatives underway, a number of cultural and research-related projects stand out. In 2008, a partnership was initiated with the Cité de l'Architecture et du Patrimoine, which plans to organize joint events in 2009. The partnership is perfectly aligned with our positioning as a provider of building solutions. There are also a wide range of local support programs, such as in Spain, where Saint-Gobain Canalización has partnered the Santander Music Festival for 11 years and sponsored the closing ceremonies in 2008.

Most of our research centers work closely with government research agencies and universities in France and abroad. In 2006, the Saint-Gobain University Network (SUN) was formed with leading universities in Russia, the United States, India and Germany. In France, a framework agreement was signed with the National Center for Scientific Research and a Saint-Gobain endowed chair was set up with *École Polytechnique and École Supérieure de Conception et de Production Industrielles*.

Since 1995, the Group has sponsored the Saint-Gobain Young Researcher's Award under the aegis of the French Physics Society.

In the same spirit of intellectual exchange, we continue to support the Cournot Center for Economic Research, a corporate foundation co-chaired by Robert Solow, winner of the Nobel Prize in Economics, and Jean-Louis Beffa. The Center regularly organizes conferences and debates to support research and promote knowledge-sharing in economics.

Lastly, in line with our commitment to effectively encouraging and supporting innovative projects, since 2006 we have fostered relationships with start-ups by investing in venture capital funds.

Reporting methodology

The data published in this sustainable development report comes from two separate reporting systems:

- The "NRE" system set up in 2002 to comply with the disclosure requirements of France's "NRE" Act, which now incorporates the reporting system for employee numbers established a number of years ago.
- The Gaïa environment, health and safety (EHS) reporting system set up in 2003, which was upgraded in 2008.

Basic reporting principles

Baseline

The baseline for Saint-Gobain social reporting and the Gaïa EHS system was developed in line with the requirements of the UN Global Compact and France's "NRE" Act of 2001 (New Economic Regulations).

Social reporting

Stability was a primary consideration in determining social indicators, to provide the most reliable basis for comparison. Consequently, there have been no major modifications to these indicators since they were introduced in 2002, with the only change being the introduction of new indicators (socio-professional category and age) to refine the analyses.

EHS reporting

To keep pace with developments in international standards such as the Global Reporting Initiative and respond to feedback from sites, working groups meet on a regular basis to propose improvements to EHS indicators. These proposals are discussed and approved at steering committee meetings held twice a year.

Scope

Social reporting

In 2008, there were 726 social reporting units, defined based on the Group's business structure so as to cover virtually all consolidated companies.

The merger, in 2008, of the two separate reporting systems used in prior years has improved the reliability of data collection, with a 99% coverage rate for all indicators.

New companies joining the Group are included from the date when they are included in the consolidated financial statements, while divested companies are excluded from the figures for the year of divestment.

Employee numbers are reported on a monthly basis, while "NRE" data – corresponding to the indicators specified in France's "NRE" Act of 2001 – are reported on an annual basis.

EHS reporting

There were approximately 1,300 EHS reporting units in 2008, corresponding to all of the Group's facilities. The increase compared with 2007 was due to the inclusion of facilities operated by newly acquired companies. The scope of reporting covers the facilities operated by all companies that were at least 50%-owned by Saint-Gobain at the balance sheet date, including – where possible – facilities that came on-stream or were acquired during the year and excluding facilities that were closed or sold. The facilities operated by Maxit, which was acquired in 2008, will be included in environmental and safety indicators as from 2009.

The majority of data are entered directly in the Gaïa system by the EHS units, and the remaining information is extracted from reporting systems used for other purposes (production reporting system for the Insulation Division and benchmark reporting system for the Gypsum Division).

- **The Safety, Industrial Health & Hygiene, general and Safety-On-Line (SOL) questionnaires** are designed to cover all facilities (and therefore all Group employees).
  The Safety and Safety-On-Line questionnaires include questions about temporary staff, and the Safety-On-Line questionnaire also includes questions about sub-contractors.
  Safety data are reported on a monthly basis and comprise information about all accidents that occurred during the month and their severity. The system covers about 93% of employees across the Group.
  Lost-time accidents (including fatal accidents) are reported systematically via the Safety-On-Line system, with a description of the circumstances of the accident.
  The Industrial Health & Hygiene questionnaire and the general questionnaire are completed annually.
- **The Environment questionnaire** is completed annually by 940 facilities. The system is being rolled out to the Gypsum business acquired by the Group in late 2005, with the key indicators now covered (production, energy, water consumption, waste, recycling, raw materials).

Environmentally-sensitive have been identified based on 2007 reporting data, and their performance will be tracked in relation to 2010 environmental targets.
Results for concerned sites will therefore be reported on a comparable scope basis in each year through 2010.
Any divested facilities will be removed (from current year indicators and the 2007 baseline) but no acquisitions will be taken into account until 2010, when the scope will be adjusted.
In addition, environmental indicators will be calculated each year by reference to the 2007 baseline.
In line with this principle, 2008 emissions and consumption have been adjusted based on 2007 production output.
This choice was made in order to focus efforts on the facilities with the greatest environmental impact, as well as to make the data and progress in meeting objectives easier to understand. The Divisions have validated certain criteria, such as energy consumption, water consumption, and quantity of non-recycled waste, enabling clear identification and monitoring. The 420 concerned sites represent,

for example, 91% of the Group's CO_2 emissions.
Because of the Group's wide-ranging business operations, the environmental indicators managed in Gaïa do not all apply to all businesses. The indicators are therefore combined into "batches" and allocated to groups of units with similar environmental impacts and ratios (i.e. indicators expressed by unit of production, generally per metric ton).
The main unit groups – referred to as environmental sub-scopes – are as follows:

- The "Glass" sub-scope, comprising units in the Innovative Materials Sector - Flat Glass Sector, the Packaging, the Reinforcements business (Innovative Materials Sector - High-Performance Materials) and the Insulation Division, excluding rock wool (Construction Products Sector), that use glass furnaces (113 concerned sites out of a total of 120 units).
- The "Pipe" sub-scope (22 concerned sites corresponding to the 22 units).
- The "Innovative Materials Sector - High-Performance Materials – Silicon Carbide" sub-scope (8 concerned sites out of 10 units).
- The "Innovative Materials Sector - High-Performance Materials excluding Silicon Carbide and Glass operations" sub-scope (108 concerned sites out of 203 units).
- The "Others" sub-scope, covering all other units (Industrial Mortars, Lapeyre plants, glass products, etc.) (169 concerned sites out of 473 units).

Particular attention is paid to the «Mines and quarries» sub-scope (currently representing 112 units, as the Environment questionnaires has not yet been rolled out to all 145 quarries) (see page 59).

One of the principles applied by the Group for the calculation of ratios is to use tons of finished product complying with quality standards ("tons of finished products"), rather than tons floated (for glass) or cast (for cast iron).

EHS financial data (expenses and capital expenditure) have been tracked in Gaïa since 2007. Annual data are adjusted during the following year to take into account information obtained after the year-end.

Definitions of indicators

Definitions of indicators are provided in detailed glossaries. The glossaries have been prepared in several languages to ensure that all contributors understand what is required.

Social reporting

The social reporting glossary is available in French, English, German, Spanish, Russian, Chinese and Polish, and is distributed by the Delegations.

EHS reporting

The EHS reporting glossary is available in its entirety in French and English, and translations of the main terms are also available in German and Portuguese. Some Delegations have also prepared supplementary handbooks.

Consolidated data

Social reporting

Saint-Gobain's social reporting process comprises three stages:

- Data input by contributors at individual company level.
- Data validation by the head of Human resources, at company or Delegation level depending on the country.
- Data verification and consolidation by the Group Employee Relations Department.

EHS reporting

The EHS reporting process (monthly and yearly) involves four stages:

- Data input by the EHS correspondent or correspondents at the reporting unit concerned.
- Data validation, usually by the unit manager or by the company or divisional coordinator.
- Data verification by EHS managers in each Sector.
- Data consolidation by the Group EHS Department.

Difficulties and limitations

Social reporting

The main difficulty in social reporting stems from the Group's wide geographic presence. Indicators may be interpreted differently from one country to another, due to differences in local legislation and practices. For example, certain employee categories commonly used in France, such as "cadre" (roughly translatable as "manager") and "CDI" (employee with a permanent employment contract) may not have any direct equivalent in other countries. The Doctrine Department is working on commonly understood definitions to avoid this problem.

This year's merger of the two social reporting system has led to changes in scope for certain indicators, leading to differences in some historical data.

EHS reporting

Difficulties can be experienced with consolidating data across businesses that use different units of measurement. Problems can also arise from differences in the interpretation of technical terms such as "waste" across different countries and businesses. Since Group-wide reporting systems were launched, reporting quality has steadily improved as the specialist teams have become more familiar with the new systems and reported difficulties have been resolved.
The new version of Gaïa will allow the Group to deploy modules for the daily tracking of environmental data in alignment with monitoring practices at operational level. This will enable more frequent reporting of EHS data according to operational needs, so that data controls can be performed at shorter intervals.

Social and EHS Indicators

SOCIAL INDICATOR	2007	2008	Pages
Number of millionaire sites (sites that have clocked up over one million incident-free hours of work and/or over five years' work without any lost-time incidents)	101	107	50
Lost-time incident rate (LTIR) (more than 24 hours' lost time) - Group	5.2	4.8	49
Severity rate - Group	0.24	0.22	49
Lost-time incident rate (LTIR) (more than 24 hours' lost time) – Building Distribution Sector	9.6	8.7	49
Total recordable incident rate (TRIR) – industrial Sectors	13.1	11	49
Number of workplace fatalities – Saint-Gobain employees	9	8	49
Number of Health & Safety-certified sites – comparable scope	132	197	47
Total headcount	205,730 employees	209,175 employees	69
Departure rate	18.3%	18.3%	70
Resignation rate	7.7%	7.1%	70
Termination rate	5.2%	5.8%	70
Recruitment rate	20.1%	16%	70
Percentage of temporary workers	7.3%	6.5%	71
Percentage of fixed-term employment contracts	6.2%	4%	71
Percentage of fixed-term employment contracts transformed into permanent contracts	32.1%	48.5%	71
Training expenditure as a percentage of total payroll	3.2%	2.5%	64
Percentage of employees who took at least one training course during the year	71.2%	66.4%	64
Number of training hours per employee	24.8	24	64
Percentage of training hours dedicated to technical training and EHS	Technical training: 49.9% EHS training: 21%	Technical training: 48.8% EHS training: 24.6%	64 47
Percentage of female employees	19.9%	20.1%	67
Percentage of white-collar workers among female employees	73.4%	75.3%	67
Female managers as a % of total employees	16%	16.6%	71
Percentage of disabled employees in France	3.3%	3.6%	67
Percentage of employees with employee representation	63%	63.4%	68
Number of agreements signed with employee representatives	1,239	1,479	68
Percentage of employees covered by a collective bargaining agreement	Group: 63% France: 99%	Group: 62.7% France: 99.4%	68
Percentage of employees in France covered by the discretionary profit-sharing scheme	87% (€69.5m)	96.1% (€63.6m)	69
Percentage of shares held by Group employees	6.3%	7.8 %	69
Number of countries covered by the Group Savings Plan	38	40	69
Sickness absence rate	3.4%	4%	71
Percentage of employees performing shift work	35.3%	31.7%	71
Overtime rate	4.8%	4.1%	71
Percentage of part-time employees	3.1%	3.2%	71
Percentage of executives and managers	12%	12.3%	71
Percentage of administrative employees, engineers and supervisors	39.2%	40.5%	71
Percentage of blue-collar workers	48.5%	47.3%	71
Percentage of managers who had a performance review	74,4%	76.5%	63
Percentage of employees in France taken on under a youth employment scheme	2.7%	2.2%	75

DEVELOPMENT OF LOCAL COMMUNITIES INDICATOR	2007	2008	Pages
Group community development spending	€3.4m	Approximately €3m	73
Number of jobs created outside the Group in France with the support of Saint-Gobain Développement	406 jobs (through 69 SME support agreements representing €1m)	482 jobs (through 127 SME support agreements representing over €1m)	74

ENVIRONMENTAL INDICATORS	2007	2008	Pages
Number of quality-certified sites – comparable scope	619	678	47
Percentage of concerned sites that are environmentally-certified	41%	46%	46
Number of Seveso-classified sites	7	6	123
Total environmental expenditure	€81.4M	€100M	47
• Salaries and other payroll expenses for environmental officers	€18.1M	€22.3M	47
• ISO 14001 and EMAS environmental certification and renewal costs	€1.8M	€1.7M	47
• Environmental taxes	€5.0M	€4.8M	47
• Insurance and warranties	€6.7M	€4.5M	47
• Environmental fines	€0.5M	€0.3M	47
• Cost of environmental incidents	€0.9M	€2M	47
• Cost of technical measures	€6.5M	€6.2M	47
• Environmental Research and Development budget	€30.6M	€41.5M	47
• Soil decontamination, site remediation and other clean-up costs	€11.3M	€16.7M	47
Capital expenditure on environmental protection measures	€107M	€94.5M	47
Provisions for environmental risks	€146M	€158M	47
Quantity of production waste – concerned sites (based on 2007 production output)	3.7 Mt	3.5 Mt	54
Consumption of primary raw materials in glass furnaces – concerned sites	14 Mt	13.2 Mt	54
Consumption of cullet in glass furnaces – concerned sites	2.8 Mt internally-sourced 4.1 Mt externally-sourced	2.8 Mt internally-sourced 4.4 Mt externally-sourced	54
Percentage of cullet in each ton of glass wool produced – concerned sites	9.8% internally-sourced 38.3% externally-sourced	18.9% internally-sourced 40.9% externally-sourced	55
Percentage of cullet in each "ton of finished products" of container glass produced – concerned sites	16.8% internally-sourced 39.2% externally-sourced	17% internally-sourced 40% externally-sourced	55
Percentage of cullet in each "ton of finished products" of flat glass produced – concerned sites	25.8% internally-sourced 8.1% externally-sourced	23.4% internally-sourced 11.4% externally-sourced	55
Percentage of tons of finished products from primary melt – concerned sites	70%	71.9%	55
Percentage of recycled materials in each "ton of finished products" of cast-iron produced – concerned sites	51.4%	47.8%	55
Percentage of recycled materials in each "ton of finished products" of gypsum quarried – concerned sites	/	25.4%	55
Percentage of waste generated by the processing of recycled stack gas in Saint-Gobain Glass furnaces – concerned sites	60.3%	62.7%	55
CO_2 emissions, based on 2007 production output – concerned sites	13.8 Mt	13.5 Mt	56
CO_2 emissions – Group, based on a comparable scope	13.9 Mt	14.3 Mt	56
Number of facilities concerned by the EU greenhouse gas emission allowance trading scheme	67	83	56
CO_2 emissions concerned by greenhouse gas emission allowances	5.9 Mt, i.e. less than 0.3% of allocated allowances	6.5 Mt, i.e. less than 0.3% of allocated allowances	56
Group energy expenditure	€1.5 billion	€2 billion	56
Fossil fuel purchases as a percentage of total energy expenditure	60%	62%	56
Energy use	59.4 TWh	61.1 TWh	56
SO_2 emissions per "ton of finished products" of glass produced – concerned sites	2.43 kg	2.46 kg	58
SO_2 emissions per "ton of finished products" of cast-iron produced – concerned sites	1.38 kg	1.01 kg	58
SO_2 emissions by the Pipe Division and the glass businesses – concerned sites	38,762 tons	38,094 tons	58
NO_x emissions per "ton of finished products" of glass produced – concerned sites	2.82 kg	2.61 kg	58
NO_x emissions per "ton of finished products" of cast-iron produced – concerned sites	1.24 kg	1.31 kg	58
NO_x emissions - concerned Pipe and glass sites	44,194 tons	40,944 tons	58
Particulate emissions per "ton of finished products" glass produced – concerned sites	0.39 kg	0.36 kg	58
Captured particulate emissions per "ton of finished products" cast-iron produced – concerned sites	1.15 kg	1.03 kg	59
Water withdrawals, based on 2007 production output – concerned sites	93.5 million cu.m.	89.7 million cu.m.	60
Water withdrawals – Group, based on a comparable scope	98.7 million cu.m.	101.7 million cu.m.	60

The Saint-Gobain Share

Stock market performance

Compagnie de Saint-Gobain shares are traded on the Eurolist by Euronext Paris market (ISIN code FR 0000 125007). In 2008, the company represented the twenty-sixth largest market capitalization (at €12,853 million as of December 31, 2008) and the twenty-sixth most actively traded stock on this market, with an average daily trading volume of 2,774,078 shares during the year. The shares are also traded on the other main European stock markets – Frankfurt, London and Zurich since 1987 and Amsterdam and Brussels since 1988. Trading volumes on these markets were also high in 2008, particularly on the London Stock Exchange.

Compagnie de Saint-Gobain is included in the DJ Euro Stoxx 50 index and the Aspi Eurozone and FTSE4Good sustainable development indices. More recently, the Group was selected for inclusion in The Global Dow, a 150-stock index of the most innovative, vibrant and influential corporations from around the world.

In addition, Saint-Gobain equity options are traded on the options markets in Paris (Monep) and London (Liffe), with Monep trading volume representing 586,229 contracts in 2008 versus 593,214 the previous year.

High and low share prices[1] (Source: Euronext Paris SA.)

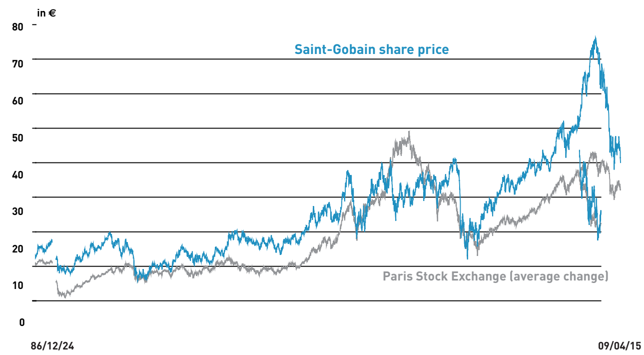
Year	High	Low	Year-end price
2006	58.416	44.571	57.826
2007	77.994	56.872	58.589
2008	59.288	20.941	30.521

Dividends[1] (Source: Euronext Paris SA.)

Year	Number of shares with dividend rights	Net dividend per share[1] (in €)	Adjusted[1] net dividend per share (in €)	Yield based on year-end share price
2006	368,419,723	1.70	1.544	2.67%
2007	374,216,152	2.05	1.862	3.18%
2008	486,077,455[2]	1.00	-	3.28%

Dividends not claimed within five years are time-barred and are paid over to the State.

Share price[3]



Total Shareholder Return

Since the December 1986 privatization: 9.6% per year

Of which: 4.9% price appreciation
4.7% dividend yield (including the 50% *avoir fiscal* tax credit until 2004)

Calculated as follows:

- IPO price: €10.559[4]
- 1987 and 1988 cash dividends
- 1989-1997 stock dividends
- 1998-2008 cash dividends
- December 31, 2008 share price: €30.521[4]

Over ten years, from December 30, 1998 to December 31, 2008: 6.2% per year

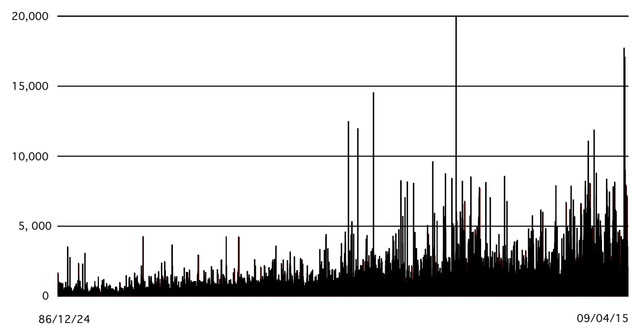
Of which: 1.1% price appreciation
5.1% dividend yield (including the 50% *avoir fiscal* tax credit until 2004)

Calculated as follows:

- December 30, 1998 share price: €27.319[4]
- Cash dividends from 1998 to 2008
- December 31, 2008 share price: €30.521[4]

Trading volume (in thousands)[4]

Trading volume since the 4 -for-1 stock-split in June 2002



[1] In accordance with IAS 33, per share data for periods prior to the February 2009 rights issue have been adjusted using the coefficient published by Euronext.
[2] 486,077,455 shares corresponding to the 382,571,985 shares outstanding at December 31, 2008, less 4,511,742 shares held in treasury at February 28, 2009 plus the 108,017,212 shares included in the March 23, 2009 rights issue.
[3] Adjusted for the effects of the February 2009 rights issue.
[4] Adjusted for the effects of the March 1994 and February 2009 rights issues.

Trading volume since September 2007[1] (Source: Euronext Paris SA.)

Paris Stock Exchange ISIN FR0000125007	Number of shares	Amount (in €)	High (in €)	Low (in €)
2007				
September	111,463,732	7,341,449,456	73.116	62.641
October	95,309,556	6,305,049,607	70.499	61.869
November	75,222,563	4,707,923,997	67.447	56.954
December	54,364,934	3,301,047,867	64.812	56.872
Total	**336,360,784**	**21,655,470,927**		
2008				
January	84,455,009	4,200,962,561	59.288	42.245
February	75,026,491	3,572,434,573	51.875	44.516
March	66,475,071	3,011,520,860	47.923	41.255
April	48,125,805	2,299,584,199	50.630	44.716
May	44,532,134	2,147,542,792	50.767	46.288
June	85,775,943	3,464,036,058	47.687	34.886
July	89,530,105	2,993,084,163	36.740	28.999
August	45,044,485	1,690,970,524	40.791	34.223
September	68,985,578	2,458,882,317	40.473	31.548
October	99,520,799	2,600,518,254	33.764	20.941
November	57,897,703	1,557,204,946	30.580	22.812
December	45,728,706	1,389,574,406	33.196	25.983
Total	**811,097,829**	**31,386,315,653**		
2009				
January	55,887,491	1,533,104,344	33.369	23.148
February	103,492,912	2,311,446,452	29.980	16.650

Trading volume since October 2006 (Source: London Stock Exchange)

London Stock Exchange	Number of shares	Amount (in £)
2006		
October	11,701,230	459,073,668
November	15,553,234	624,666,294
December	10,220,631	416,670,131
Total	**37,475,095**	**1,500,410,093**
2007		
January	18,560,502	849,151,088
February	11,059,158	535,339,557
March	15,449,270	734,315,751
April	12,336,860	629,712,386
May	9,466,773	516,804,780
June	32,967,679	1,785,468,393
July	12,279,211	686,630,767
August	12,130,027	649,239,833
September	15,631,911	777,521,096
October[2]	18,320,857	920,814,245
Total	**158,202,248**	**8,084,997,895**

A total of 580,600 shares were traded on the Frankfurt Stock Exchange in 2008 (source: Datastream).

The other Group companies whose shares are traded on a regulated market are Saint-Gobain Oberland (Frankfurt, Munich and Stuttgart Stock Exchanges), Hankuk Glass Industries (Seoul Stock Exchange), Grindwell Norton and Saint-Gobain Sekurit India (Mumbai Stock Exchange), Izocam (Istanbul Stock Exchange) and Compania Industrial El Volcan (Santiago de Chile Stock Exchange).

Oceane bonds

(Convertible into new shares or exchangeable for existing shares)

In February 2002, Compagnie de Saint-Gobain issued 4,380,953 5-year Oceane convertible/exchangeable bonds for a total of €920 million. The bonds were traded on the Eurolist by Euronext Paris market from February 18, 2002 until January 2, 2007. On December 20, 2006, 4,355,403 bonds were presented for conversion into 17,421,612 new shares, leading to a 4.96% increase in the number of shares outstanding at December 31, 2006.

Following conversion of an additional 21,100 bonds in 2007[3], the 4,450 bonds not presented for conversion were redeemed at par on January 2, 2007 for an amount per bond of €210 plus accrued interest of €5.5125.

Bonds

On September 16, 2008, Compagnie de Saint-Gobain carried out a €750 million 7.25% bond issue due September 4, 2013, followed on January 14, 2009, by a €1,000 million 8.25% issue due July 24, 2014.

Both issues are listed on the London Stock Exchange.

[1] In accordance with IAS 33, per share data for periods prior to the February 2009 rights issue have been adjusted using the coefficient published by Euronext.
[2] The London Stock Exchange no longer provides details of trading volumes since the end of October 2007.
[3] These bonds were presented for conversion within the required time-frame, but the Group was not aware that they had been presented until after the year-end.

Non-voting participating securities

In June 1983, Compagnie de Saint-Gobain issued FRF 700 million worth of non-voting participating securities with warrants attached that were exercisable for participating securities for the same amount. In all, 1,288,299 securities with a face value of FRF 1,000 were issued. Since 1999, the face value is €152.45.

Interest on the securities varies according to Saint-Gobain's results and ranges from 0.75 to 1.25 times the average French corporate bond rate (known as the "TMO" rate). Since the securities were issued, the rate has consistently reached the cap of 1.25 times the TMO and, in light of the Group's 2007 results, it will also be at this level in 2008, representing €8.70 per security.

Trading volume since September 2007 (Source: Euronext Paris SA.)

Paris Stock Exchange ISIN FR0000140030	Number of securities	Amount (in €)	High (in €)	Low (in €)
2007				
September	1,658	283,380	172.00	150.00
October	1,684	287,595	173.00	165.00
November	2,956	492,642	170.00	153.00
December	3,285	516,904	161.01	153.20
Total	**9,583**	**1,580,521**		
2008				
January	2,403	385,157	168.00	154.10
February	3,607	578,726	172.00	154.01
March	5,755	875,212	161.70	138.01
April	6,639	995,362	157.00	145.01
May	742	111,454	157.00	143.01
June	1,107	169,401	157.00	151.00
July	3,740	552,737	159.00	136.00
August	882	124,799	145.50	136.02
September	918	129,357	147.72	130.50
October	1,852	263,860	154.00	126.00
November	2,630	371,117	156.00	126.00
December	1,223	170,862	145.00	128.20
Total	**31,498**	**4,728,045**		
2009				
January	957	136,965	152.00	136.85
February	799	112,935	148.00	136.50

Trading volume since September 2007 (Source: Euronext Paris SA.)

Paris Stock Exchange ISIN FR0000047607	Number of securities	Amount (in €)	High (in €)	Low (in €)
2007				
September	581	92,219	160.08	158.41
October	72	11,449	159.99	158.50
November	218	34,209	158.00	154.00
December	102	15,708	154.00	154.00
Total	**973**	**153,585**		
2008				
January	113	17,321	155.50	152.50
February	65	9,347	147.00	142.00
March	284	38,684	137.00	135.01
April	219	29,804	146.50	134.00
May	71	10,547	153.00	144.00
June	113	16,758	155.00	147.43
July	231	30,506	146.00	128.13
August	0	0		
September	94	12,366	132.00	131.00
October	101	13,001	131.45	125.10
November	48	6,106	128.00	127.00
December	35	4,435	127.00	126.00
Total	**1,374**	**188,874**		
2009				
January	55	6,900	126	125
February	22	2,800	135	118

In April 1984, Compagnie de Saint-Gobain issued ECU 100 million worth of non-voting participating securities with warrants attached that were exercisable for participating securities for the same amount. In all, 194,633 securities with a face value of ECU 1,000 were issued. Their face value is now €1,000.

Interest is payable at a fixed rate of 7.5% on 60% of the securities' face value and at a variable rate on the remaining 40%. The variable rate is based on the prior year's consolidated net income and is subject to a cap and a floor. Total interest on the securities ranges from TMOE less 50 bps to TMOE plus 175 bps, depending on Group earnings. Interest for 2008 amounted to €67.50 per security, paid in two installments.

Trading volume since September 2007

(source: Luxembourg Stock Exchange)

Luxembourg Stock Exchange ISIN LU0002804531	Number of securities	Amount (in €)	High (in €)	Low (in €)
2007				
November	10,000	11,785	1,178.50	1,178.50
2008				
May	2,000	2,342	1,173.50	1,168.50
June	10,000	11,568	1,163.50	1,150.00
Total	**12,000**	**13,910**		

No other securities issued by Compagnie de Saint-Gobain were traded on a stock market in 2008.

Ownership structure

Capital stock

At December 31, 2008, Compagnie de Saint-Gobain's capital stock amounted to €1,530,287,940, represented by 382,571,985 common shares with a par value of €4 compared with 374,216,152 shares at the previous year-end. During the year, a total of 8,355,833 shares were issued, including 8,272,947 shares offered to members of the Group Savings Plan and 82,886 shares issued upon exercise of the same number of stock options.

Ownership structure

in %	December 31, 2008		December 31, 2007		December 31, 2006[1]	
	Capital stock	Voting rights	Capital stock	Voting rights	Capital stock	Voting rights
Wendel	21.3	20.5	17.9	17.2	0.2	0.2
Employees, through corporate mutual funds	7.8	11.9	6.3	10.3	5.9	10.1
Caisse des Dépôts et Consignations	3.3	3.2	3.3	3.2	3.4	3.3
PREDICA	1.6	1.6	1.7	1.6	1.8	1.7
COGEMA	1.6	1.5	1.6	1.6	1.7	1.7
Axa Group	0.5	0.5	0.9	1.0	1.4	1.4
Treasury stock	1.2	0	1.2	0	1.8	0
Others	62.7	60.8	67.1	65.1	83.8	81.6
TOTAL	**100**	**100**	**100**	**100**	**100**	**100**

To the best of the company's knowledge, there are no shareholders' pacts and none of the main shareholders mentioned above are acting in concert.

No member of the Board of Directors or senior executive of the Group personally holds shares representing more than 0.5% of the capital stock.

Saint-Gobain does not hold any of its own shares, except for the treasury stock mentioned above.

Based on the most recent survey of identifiable holders of bearer shares, carried out at December 31, 2008, the company has approximately 220,000 shareholders.

Since 1987, the company's bylaws have included a clause giving double voting rights to fully paid-up shares that have been registered in the name of the same holder for at least two years. Double voting rights are also attached to registered shares allotted without consideration in respect of shares carrying double rights in the case of a capital increase paid up by capitalizing reserves, income or additional paid-in capital. Double voting rights are forfeited if the shares are converted to bearer form, sold or otherwise transferred. However, transfers resulting from an inheritance, or the liquidation of the marital estate or an *inter vivos* gift to the surviving spouse or a relative in the line of succession do not result in the double voting rights being lost and are not taken into account in determining the two-year holding period.

At December 31, 2008, a total of 402,071,000 voting rights were attached to the 382,571,985 shares outstanding (including non-exercisable rights attached to treasury stock).

The potential number of shares at that date, assuming exercise of the 21,213,094 outstanding stock options, was 403,785,079.

In 2008, the company received the following notifications under disclosure threshold rules:

- Notification of an increase in Wendel's interest to above the 20% threshold on March 20, 2008, leading to the issue of the following statement of intent:

"Wendel declares that:

- It does not intend to acquire control of the company.
- It is not acting in concert with other shareholders.
- It will not increase its interest to more than 21.5%, as stated in the letter sent to the company on March 18, 2008.

[1] After conversion of Oceane bonds.

- As also stated in said letter, with the backing of Compagnie de Saint-Gobain's Board, Wendel will present two candidates for election to the Board at the Annual General Meeting scheduled for June 5, 2008 and one candidate for election at the 2009 Annual General Meeting."

At the time, Wendel stated that it held indirectly 20.62% of the company's capital and 19.65% of the voting rights as of March 26, 2008.

■ Notification of an increase in the voting rights held by Wendel to above the 20% threshold on March 31, 2008, leading to a reiteration of the statement of intent in exactly the same terms.

At the time, Wendel stated that it held indirectly 21.19% of the Company's capital and 20.18% of the voting rights as of April 1, 2008.

Wendel's interest at December 31, 2008 is shown in the above ownership structure table.

■ Notification of an increase in the voting rights held by the Saint-Gobain PEG France corporate mutual fund to above the 10% threshold on August 21, 2008, leading to the issue of the following statement of intent:

"Axa Investment Managers Paris, in its capacity as manager of the above corporate mutual fund, hereby states, in accordance with article L.233-7-VII of the Commercial Code, that:

- The corporate mutual fund in whose name the disclosure of an increase in voting rights to above the 10% threshold was made acts alone for the sole purpose of collecting funds invested by Saint-Gobain Group employees in the Group Savings Plan.
- The fund is an equity fund and it is therefore authorized to invest in equities other than Saint-Gobain stock.
- The fund does not intend to acquire control of the company.
- In accordance with the company's bylaws, employee shareholders are already represented by one director and the fund does not plan to ask for an additional seat on the Board."

At the time, Axa Investment Managers Paris stated that the Saint-Gobain PEG France corporate mutual fund held 6.75% of the company's capital and 10.67% of the voting rights The interest held by employees through corporate mutual funds at December 31, 2008 is shown in the above ownership structure table.

At its meeting on March 20, 2008, the Board accepted the proposals and undertakings made by Wendel in its letter of March 18 to the Chairman. This letter is reproduced in full in the 2007 Annual Report (pages 14-15).

February-March 2009 rights issue

On February 19, 2009, the Board of Directors decided to use the authorization given at the Annual General Meeting of June 7, 2007 (12th resolution) to increase the capital through a free allocation of stock warrants to existing shareholders, with a public offering in France, the United Kingdom, Belgium, the Netherlands, Germany and Switzerland and a private placement with institutional investors in other countries.

A total of 382,571,985 warrants were allocated on February 20, 2009, on the basis of one warrant per share[(1)].
The warrants were exercisable on the basis of two shares for seven warrants at a price of €14 per share between February 23 and March 6, 2009. 108,017,212 new €4 par value shares were issued on conversion of warrants, for total proceeds of €1,512,240,968 including premiums.
Following these issues, as of March 23, 2009 Compagnie de Saint-Gobain's capital amounted to €1,962,356,788 represented by 490,589,197 common shares with a total of 510,391,631 voting rights[(2)] (including non-exercisable rights attached to treasury stock).

The issue prospectus, comprising Compagnie de Saint Gobain's Registration Document filed with the French securities regulator (*Autorité des Marchés Financiers* – "AMF") on April 8, 2008 under no. D.08-0214, the update of this Document filed with the AMF on February 19, 2009 under no. D.08-0214-A01, and the Offering Circular dated February 19, 2009, was approved by the AMF under visa no. 09-042 on February 19, 2009. It can be downloaded from the websites of the company (www.saint-gobain.com) and the AMF (www.amf-france.org).

[(1)] As no stock options were exercised before March 2, 2009 the number of warrants set initially was not increased.
[(2)] Basis February 28, 2009, taking into account the effects of the March 23, 2009 rights issue.

Changes in capital over the last five years

	Capital stock	Number of shares	
01-04	€1,364,100,540	341,025,135	Cancellation of 6,799,832 shares
06-04	€1,380,497,308	345,124,327	Employee rights issue: 4,099,192 shares issued to the Group Savings Plan (€31.41 per share)
11-04	€1,362,569,200	340,642,300	Cancellation of 4,482,027 shares
12-04	€1,363,952,000	340,988,000	Issuance of 345,700 shares upon exercise of the same number of options
06-05	€1,381,021,880	345,255,470	Employee rights issue: 4,267,470 shares issued to the Group Savings Plan (€36.48 per share)
12-05	€1,381,025,080	345,256,270	Issuance of 800 shares upon exercise of the same number of options
06-06	€1,402,622,244	350,655,561	Employee rights issue: 5,399,291 shares issued to the Group Savings Plan (€40.84 per share)
12-06	€1,403,992,444	350,998,111	Issuance of 342,550 shares upon exercise of the same number of options
12-06	€1,473,678,892	368,419,723	Issuance of 17,421,612 shares on conversion of 4,355,403 Oceane bonds
01-07	€1,474,063,692	368,515,923	Issuance of 96,200 shares on conversion of 21,100 Oceane bonds and 11,800 shares upon exercise of the same number of options
05-07	€1,479,834,028	369,958,507	Employee rights issue: 1,442,584 shares issued to the Group Savings Plan (€61.68 per share)
06-07	€1,481,310,428	370,327,607	Issuance of 369,100 shares upon exercise of the same number of options
06-07	€1,495,466,528	373,866,632	Employee rights issue: 3,539,025 shares issued to the Group Savings Plan (€58.05 per share)
07-07	€1,495,596,528	373,899,132	Issuance of 32,500 shares upon exercise of the same number of options
08-07	€1,495,726,928	373,931,732	Issuance of 32,600 shares upon exercise of the same number of options
09-07	€1,495,773,328	373,943,332	Issuance of 11,600 shares upon exercise of the same number of options
10-07	€1,495,789,428	373,947,357	Issuance of 4,025 shares upon exercise of the same number of options
11-07	€1,495,959,828	373,989,957	Issuance of 42,600 shares upon exercise of the same number of options
12-07	€1,496,864,608	374,216,152	Issuance of 226,195 shares upon exercise of the same number of options
05-08	€1,529,956,396	382,489,099	Employee rights issue: 8,272,947 shares issued to the Group Savings Plan (€51.751 per share)
12-08	€1,530,287,940	382,571,985	Issuance of 82,886 shares upon exercise of the same number of options
03-09	€1,962,356,788	490,589,197	Free allocation of 382,571,985 stock warrants exercisable on the basis of seven warrants for two new shares at a price of €14 per share

Financial authorizations

At the Annual General Meeting of June 5, 2008, the Board of Directors was given the following financial authorizations:

- Authorization to buy back (and resell) Saint-Gobain shares representing up to 10% of total shares outstanding at the date of the Meeting, at a maximum price of €90 per share. This authorization is valid until December 2009.
- Authorization to issue warrants while a takeover bid for the company is in progress. The aggregate par value of shares issued on conversion of the warrants may not exceed €375 million. This authorization is valid until December 2009.

The following financial authorizations given to the Board at the Annual General Meeting of June 7, 2007 are still in force:

- Authorizations valid until August 2009:

- Authorization to cancel all or some of the shares acquired under shareholder-approved buyback programs, up to a maximum of 10% of outstanding shares in any 24-month period, and to reduce the capital accordingly.

- Authorization to issue shares, warrants and/or securities convertible, redeemable or otherwise exercisable for shares, with pre-emptive subscription rights for existing shareholders. The aggregate par value of shares issued under the authorization is capped at €590 million and the aggregate nominal value of debt securities at €3,000 million.

- Authorization to issue shares, warrants and/or securities convertible, redeemable or otherwise exercisable for shares, without pre-emptive subscription rights but with a priority subscription period for existing shareholders. The aggregate par value of shares issued under the authorization is capped at €295 million and the aggregate nominal value of debt securities at €1,500 million. The authorization may also be used to issue shares on conversion, redemption or exercise of securities issued by subsidiaries.

- Authorization to issue shares in payment for shares or share equivalents of another company. The number of shares issued under this authorization may not exceed the equivalent of 10% of the issued capital.

- Authorization to increase the capital by up to €74 million by capitalizing additional paid-in capital, reserves, income or other eligible items.

- The amounts specified in these four authorizations are not cumulative.

- Authorization to issue up to €74 million worth of shares (excluding premiums) to the Group Savings Plan. The shares may not be offered at a discount of more than 20% on the average of the prices quoted for the company's shares over the twenty trading days preceding the Board's decision.

- Authorizations valid until August 2010:

- Authorization to grant stock options to employees and officers, exercisable at a price at least equal to the average of the prices quoted for the company's shares over the twenty trading days preceding the Board's decision. The options may not be exercisable for shares representing more than 3% of the capital.

- Authorization to make stock grants representing the equivalent of up to 1% of the capital.

- The 3% ceiling on stock options and the 1% ceiling on stock grants are not cumulative.

During 2008, the following three authorizations were used:

- Share buybacks and sales: 115,490 shares were sold upon exercise of stock options granted in prior periods.
- Group Savings Plan: 8,272,947 shares were issued under the plan.
- Stock options: 3,551,900 options were granted.

Lastly, as explained above, on February 19, 2009, the Board used the authorization to issue shares with pre-emptive subscription rights.

Information that could have a bearing on a takeover bid

- French legislation adopted in application of the European takeover directive stipulates that the annual report must include any information that could have a bearing on a takeover bid. In the case of Saint-Gobain, the disclosures required under this legislation at December 31, 2008 are as follows:

- As explained above, the Board of Directors has been authorized by shareholders to issue stock warrants exercisable for up to €375 million worth of shares (excluding premiums) while a takeover bid for the company is in progress. The current authorization expires in December 2009.
- In the case of a change of control of Compagnie de Saint-Gobain.

- The U.S. subsidiaries' deferred compensation and defined benefit pension plans would be terminated immediately and the rights of beneficiaries would become due within twelve months. The total potential cost was USD 141.6 million at December 31, 2008.

- The bonds issued by the company since 2006 could become redeemable and accrued interest on the bonds could become immediately due under certain conditions.
The issues concerned by these acceleration clauses are the two tranches of the May 2006 €1,800 million issue, the two tranches of the November 2006 £600 million issue, the November 2006 CZK 1,000 million issue, the two tranches of the April 2007 €2,500 million issue, the September 2008 €750 million issue, and the January 2009 €1,000 million issue.
The Maxit acquisition financing (€2,125 million syndicated line of credit obtained in October 2007, reduced to €2,040 million in October 2008 with the final maturity rolled over to October 2010), the BPB acquisition financing (syndicated line of credit obtained in August 2005, undrawn balance of €500 million at December 31, 2008), the €2,000 million syndicated line of credit for general corporate purposes obtained in November 2004, a bank loan and three bilateral lines of credit all also include change of control clauses.

Group Savings Plan

The Group Savings Plan (*Plan d'Épargne Groupe* – "PEG") is a key feature of the social contract within the Group. It represents an excellent means of giving employees a stake in the Group's success and profits.

In 2008, 4,073,045 shares were issued under a standard plan with a five or ten-year lock-up, for a total of €169 million (2007: 3,539,025 shares and €205.4 million), and 4,199,902 shares under a leveraged plan for €185 million (2007: 1,442,584 shares for €89 million).

In France, 81% of employees invested in the PEG through corporate mutual funds (*Fonds Communs de Placement d'Entreprise* – "FCPE"). With employees in twenty-three other European countries and seven countries outside Europe also given the opportunity to take part, in all, over 58,000 Group employees invested in the PEG in 2008.

At December 31, 2008, the corporate mutual funds held 7.8% of the company's capital and 11.9% of the voting rights.

A new non-leveraged plan has been launched since the beginning of 2009, giving employees the opportunity to acquire up to 8.5 million shares with a five or ten-year lock-up.

Stock option plans – principles and rules decided by the Board of Directors

Stock option plans have been set up by the Board of Directors every year since 1987. The option exercise period was set at five years for plans up to 1991, then eight years for the 1992-1998 plans and ten years for subsequent plans, meaning that all the plans up to 1998 are now finished.

The decision to grant stock options is made by the Board based on the recommendation of the Appointments Committee. The members of this Committee in 2008 were Jean-Martin Folz, Chairman, Sylvia Jay, Jean-Cyril Spinetta and, from June 5, Bernard Gautier.

In November 2008, options were granted to the Chairman, the nine members of senior management and three categories of grantees as follows:

- Category A grantees comprise the other members of the Group Coordination Committee (29 persons)
- Category B comprises the main staff and line executives in the Sectors and Delegations (1,322 persons)
- Category C consists of high-potential managers and other management and non-management employees who have performed exceptionally well (377 persons).

In all, 1,738 grantees participated in the November 2008 plan (2007 plan: 1,698 grantees). The number of options granted to persons in the above three categories was determined on a case-by-case basis, according to the individual's level of responsibility and performance. A total of 3,551,900 options were granted (2007 plan: 3,673,000 options), representing 0.9% of the capital at December 31, 2008.

Options granted under the 2003-2007 plans were exercisable for new shares, while those granted under the 1997-2002 plans were exercisable for existing shares purchased into treasury for this purpose.

For the November 2008 plan, the Board decided that the origin of the shares (new shares or treasury stock) would be determined at the latest on the day preceding the start of the exercise period. If any options were to be exercised before the Board made its decision, the grantees would receive new shares.

Since 1999, the option exercise price has been based on a benchmark average price without any discount. For the November 2008 options, the exercise price is €28.62.

The main terms of the November 2008 options are as follows:

- Life of the options: 10 years.
- Exercise period: from the fourth to the tenth anniversary of the grant date.
- All rights to options are forfeited if the grantee leaves the Group, unless expressly agreed otherwise by both the Chief Executive Officer and the Appointments Committee of the Board of Directors.

Specific vesting conditions apply to options granted to certain categories of grantee. For example, as was the case previously for half of the options granted to Coordination Committee members, all or some of the options granted in November 2008 to members of senior management are subject to performance conditions, as follows:

- None of the options granted to the Chairman and the Chief Executive Officer will vest if 2011 return on capital employed ("ROCE") is less than 11%. If ROCE is greater than 13%, all the options will vest and if it stands at 11%, half of the options will vest, with the proportion increasing on a straight-line basis between these two points.
- Half of the options granted to members of senior management, Coordination Committee members and other senior executives (176 persons) are subject to the same vesting conditions, but with no options vesting if 2011 ROCE is less than 11%.

In addition, pursuant to a decision by the Board of Directors in 1997, members of senior management and category A grantees (i.e. all Coordination Committee members), who have held their position since 1997, are required to hold, on a permanent basis, at least 5,200 registered Saint-Gobain shares at December 31, 2008 and increase their holding by at least 400 shares in each coming year, while the main category B grantees must hold at least 400 registered Saint-Gobain shares on a permanent basis.

There are no other stock option plans in progress and no other options on the shares of French or foreign listed or unlisted Group companies.

Lastly, in application of article L.225-185 of France's Commercial Code, the Board has decided – pursuant to a recommendation by the Appointments Committee – that 50% of the net capital gain (after deducting payroll taxes and other personal taxes) realized by the Chairman and the Chief Executive Officer on the sale of shares acquired upon exercise of the November 2008 options must be reinvested in Saint-Gobain shares until such time as they leave office. This obligation will cease to apply if and when the total number of Saint-Gobain shares held by each of them represents the equivalent of five years of their fixed compensation.

Information about the stock option plans in progress in 2008 and about options granted to executive directors and the top ten grantees are provided in tables 4, 5, 8 and 9 on pages 104 to 105.

Transactions in Compagnie de Saint-Gobain shares by executive directors disclosed to the AMF in 2008

Transactions in Compagnie de Saint-Gobain shares by executive directors disclosed to the AMF in 2008 were as follows:

Disclosed by	Type of transaction	Transaction date	Unit price	Total amount
Bernard Cusenier	Purchase of new shares[1]	April 2008	43.99	15,000.00
	Purchase of new shares[1]	April 2008	41.41	18,750.00

[1] Through the Group Savings Plan.

Share buybacks

No shares were bought back directly on the market in 2008. A total of 115,490 Saint-Gobain shares were sold during the year upon exercise of stock options, for a total of €3.4 million. No shares were cancelled during the year.

Article L.225-209 of France's Commercial Code also requires disclosure of the number of shares held in treasury. At December 31, 2008, 4,163,913 shares – representing 1.09% of the capital – were held in treasury for allocation upon exercise of stock options, as follows:

Plan	Number of shares	Exercise price (in €)	Plan	Number of shares	Exercise price (in €)
1998	81,400	3,494,095	2001	1,708,804	76,266,105
1999	324,124	13,848,087	2002	1,183,825	63,049,952
2000	865,760	36,972,751			

Shares held in treasury at December 31, 2008 were acquired at an average cost of €46.50 and shares sold during the year upon exercise of stock options were acquired at an average cost of €49.58.

On November 16, 2007, the company entered into a liquidity agreement with Exane. As required by French securities regulations, the agreement complies with the code of ethics issued by the *Association Française des Entreprises d'Investissement* that was approved by the French securities regulator ("AMF") on March 25, 2005. Under the terms of the agreement, Exane is mandated to maintain a liquid market in Compagnie de Saint-Gobain shares and ensure that prices are regularly quoted for the shares, so as to avoid price fluctuations that are not justified by market trends. When the agreement came into effect on December 3, 2007 Compagnie de Saint-Gobain deposited €50 million in the liquidity account. At December 31, 2008, 311,713 Saint-Gobain shares were held in the account along with €34,245,463.46 in cash.

Information Policy and 2009 Financial Calendar

INFORMATION POLICY

The Investor Relations Department is responsible for implementing the Group's information policy with the financial community, investors and shareholders.

The head of Investor Relations is Florence Triou-Teixeira (Phone: +33 (0) 1 47 62 33 33 – Fax: +33 (0) 1 47 62 50 62).

The Department answers requests for information about the Group and issues regular Shareholder Newsletters and the Shareholders' Guide.
These documents can be obtained from:

Saint-Gobain
Investor Relations Department
Les Miroirs - F 92096 La Défense Cedex
Toll free number 0800 32 33 33
(calls originating in France only)

During 2008, the company organized several meetings with shareholders in France, Lille and Strasbourg in May and in Bordeaux and Lyon in November. A meeting was also held during the Salon Actionaria fair in Paris in November, representing the eleventh year in a row that the company has taken part in the fair. In addition to the annual and interim results presentations to analysts and journalists in Paris and London in January and July, many other information meetings are organized in the European financial centers where Saint-Gobain shares are listed as well as in the United States and Japan. Detailed information about the Group and its businesses, and webcasts of analyst meetings are available on the Saint-Gobain website:

www.saint-gobain.com

The Investor Relations team can be contacted by e-mail at the following address:

actionnaires@saint-gobain.com

Compagnie de Saint-Gobain also makes additional services available to holders of registered shares through its registrar, BNP Paribas, to improve the management of their shares. For more information, contact the Investor Relations Department or:

BNP Paribas - Immeuble Tolbiac
GIS - Emetteurs - F 75450 Paris Cedex 09
By phone: Toll free number 0 800 03 33 33
(calls originating in France only)
By fax: Toll free number 0 800 77 25 85
(calls originating in France only)

2009 FINANCIAL CALENDAR

2008 final results:
February 19, after the market closes

First quarter 2009 sales:
April 29, after the market closes

Annual General Meeting:
June 4 at 3:00 p.m. at Palais des Congrès (Porte Maillot), Paris

Dividend:
record-date: June 9, 2009 ; ex-date: June 10, 2009

Option period for dividend reinvestment:
from June 10 to June 24, 2009

Dividend payment date:
July 2, 2009

First-half results:
July 23, after the market closes

Net sales for the first nine months:
October 22, after the market closes

Corporate governance

Compagnie de Saint-Gobain complies with the principles of corporate governance set out in the October 2003 consolidated version of the AFEP-MEDEF reports and the AFEP-MEDEF corporate governance code for publicly listed companies of October 2008.

Board of Directors

Details of the members of the Board of Directors of Compagnie de Saint-Gobain are as follows: ***The following information is correct as of March 1, 2009.***

Jean-Louis BEFFA

Chairman of the Board of Directors of Compagnie de Saint-Gobain

Jean-Louis Beffa, 67, is also Vice-Chairman of the Board of Directors of BNP Paribas, a Director of GDF Suez and of Groupe Bruxelles Lambert, a member of the Supervisory Board of Siemens AG, as well as of Le Monde S.A. and Société Éditrice du Monde S.A., Chairman of Claude Bernard Participations SAS and a member of the Supervisory Board of Le Monde Partenaires SAS. Within the Saint-Gobain Group, he is a Director of Saint-Gobain Corporation. He is also co-Chairman of the *Centre Cournot pour la Recherche en Économie* and Vice-Chairman of the Supervisory Board of *Fonds de Réserve des Retraites*. He owns 250,153 Saint-Gobain shares.
Les Miroirs - 92096 La Défense Cedex (France)

Isabelle BOUILLOT

Chairman of China Equity Links

Isabelle Bouillot, 59, is also a Director of Umicore and Managing Partner of IB Finance. She owns 1,200 Saint-Gobain shares.
42 rue Henri Barbusse - 75005 Paris (France)

Gianpaolo CACCINI

Chairman of Assovetro (Italian glass manufacturers' association)

Gianpaolo Caccini, 70, an Italian citizen, is former Chief Operating Officer of Compagnie de Saint-Gobain. He is a Director of Nexans, JM Huber Corp. and Saint-Gobain Corporation. He owns 6,320 Saint-Gobain shares.
Assovetro - Via Bissolati 76, 1 Rome (Italy)

Pierre-André de CHALENDAR

Chief Executive Officer of Compagnie de Saint-Gobain

Pierre-André de Chalendar, 50, was appointed Chief Operating Officer of Compagnie de Saint-Gobain by the Board of Directors on May 3, 2005 and was elected to the Board by the Annual General Meeting of June 8, 2006, becoming Chief Executive Officer on June 7, 2007.
Within the Saint-Gobain Group, he is a Director of Saint-Gobain Corporation and of GIE SGPM Recherche.
He owns 80,246 Saint-Gobain shares.
Les Miroirs - 92096 La Défense Cedex (France)

Robert CHEVRIER

Chairman of Société de Gestion Roche Inc.

Robert Chevrier, 65, a Canadian citizen, is also Chairman of the Board of Directors of Richelieu Hardware Ltd., Chairman of the Board and member of the Audit Committee of The Pension Fund Society of the Bank of Montreal, Lead Director and Chairman of the Compensation and Human Resources Committee of CGI Inc., Lead Director and Chairman of the Audit Committee of Cascades Inc. He owns 1,000 Saint-Gobain shares.
200 avenue des Sommets, Suite 2001, Ile des Sœurs – Verdun – Quebec (Canada H3E 2B4)

Gerhard CROMME

Chairman of the Supervisory Board of ThyssenKrupp AG

Gerhard Cromme, 66, a German citizen, is also a member of the Supervisory Board of Allianz SE and Axel-Springer AG, and Chairman of the Supervisory Board of Siemens AG.
He owns 800 Saint-Gobain shares.
August Thyssen Strasse 1, D 40211 Dusseldorf (Germany)

Bernard CUSENIER

Chairman of the Association of Saint-Gobain employee shareholders and former-employee shareholders, Chairman of the Supervisory Board of the Saint-Gobain PEG France corporate mutual fund.

Bernard Cusenier, 62, is also Chief Executive Officer of Saint-Gobain Ecophon S.A. and Chief Operating Officer of Saint-Gobain Eurocoustic. He owns 832 Saint-Gobain shares.
Saint-Gobain Eurocoustic - 7 Place de Saverne, 92415 Courbevoie Cedex (France)

Jean-Martin FOLZ

Chairman of AFEP

Jean-Martin Folz, 62, former Chairman of the Managing Board of Peugeot S.A., is also a Director of Société Générale, Alstom, Carrefour and Solvay, and a member of the Supervisory Board of Axa. He owns 1,200 Saint-Gobain shares.
11 avenue Delcassé, 75008 Paris (France)

Bernard GAUTIER

Member of the Managing Board of Wendel

Bernard Gautier, 49, is also a member of the Supervisory Board of Legron BV, a Director of Communication Media Partner, Stahl Holdings BV and Group BV, Trief Corporation, Wendel Japan KK, Winvest International SA SICAR, legal manager of Winvest Conseil, member of the Supervisory Board of Altineis, Altineis 2, Altineis 3, legal manager of BG Invest, BJPG Conseil, SCI La République, La Cabine Saint-Gautier, SC BJPG Participations, SC BJPG Assets, Sweet Investment Ltd.
He owns 800 Saint-Gobain shares.
89, rue Taitbout - 75009 Paris

Yuko HARAYAMA

Professor at Tohoku University (Japan)

Yuko Harayama, 58, a Japanese citizen, does not hold any other directorships. She owns 800 Saint-Gobain shares.
Tohoku University
6-6-11-805 Aoba, Aramaki, Aoba-ku, Sendai 980-8579 (Japan)

Sylvia JAY

Vice-Chairman of L'Oréal UK

Lady Jay, 62, a British citizen, is also a Director of Alcatel Lucent and Lazard Limited, Chairman of Pilgrim Trust and Food from Britain, and a Trustee of the Entente Cordiale Scholarship Scheme, the Prison Reform Trust and The Body Shop Foundation. She owns 800 Saint-Gobain shares.
255 Hammersmith Road, London W6 8 AZ (United Kingdom)

Jean-Bernard LAFONTA

Chairman of the Managing Board of Wendel

Jean-Bernard Lafonta, 47, is also Chairman of the Supervisory Board of Bureau Veritas, Chairman of the Board of Directors of Winvest International SA SICAR, a Director of Legrand and Trief Corporation, a member of the Supervisory Board of Oranje-Nassau Groep BV and of the Managing Board of Materis Parent SARL, legal manager of Winvest Conseil, a member of the Supervisory Board of Alteneis 2, Chairman of CDA, and legal manager of Granit, JBMN, Société Civile Hautmer, Société Civile Ilbano.
He owns 800 Saint-Gobain shares.
89, rue Taitbout - 75009 Paris

Gérard MESTRALLET

Chairman & Chief Executive Officer of GDF Suez

Gérard Mestrallet, 59, is also a member of the Supervisory Board of Axa and a Director of Pargesa Holding. Within the Suez Group, Mr. Mestrallet is Chairman of the Board of Directors of Suez-Tractebel, Suez Environnement, Electrabel, Suez Energie Services, Hisusa and Suez Environment Company, and Vice-Chairman of Sociedad General de Aguas de Barcelona.
He owns 840 Saint-Gobain shares.
16 rue de la Ville-l'Evêque - 75008 Paris (France)

Michel PÉBEREAU

Chairman of the Board of Directors of BNP Paribas

Michel Pébereau, 67, is also a Director of Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Suisse, a member of the Supervisory Board of Axa and *Banque Marocaine pour le Commerce et l'Industrie*, and a Non-Voting Director of Galeries Lafayette. He is also Chairman of the *Commission Banque d'Investissement et de Marchés of the Fédération Bancaire Française*, President of *Institut de l'Entreprise*, Chairman of the Management Board of *Institut d'Études Politiques de Paris* and of the Supervisory Board of *Institut Aspen France*, member of the *Académie des Sciences Morales et Politiques*, the *Haut Conseil de l'Éducation*, the Executive Council of the MEDEF, the *Institut International d'Études Bancaires*, the European Financial Round Table, the International Advisory Panel of the Monetary Authority of Singapore, the International Capital Markets Advisory Committee of the Federal Reserve Bank of New York and the International Business Leaders' Advisory Council for the Mayor of Shanghai. He owns 820 Saint-Gobain shares.
3 rue d'Antin - 75002 Paris (France)

Denis RANQUE

Chairman & Chief Executive Officer of Thales

Denis Ranque, 57, is also Chairman of the Supervisory Board of Thales International, Chairman of the Board of Directors of Mines Paris Tech and of the *Cercle de l'Industrie*, First Vice President of GIFAS and a Director of *Fondation de l'École Polytechnique*. He owns 800 Saint-Gobain shares.
45, rue de Villiers - 92526 Neuilly sur Seine Cedex (France)

Jean-Cyril SPINETTA

Chairman of the Board of Directors of Air France-KLM

Jean-Cyril Spinetta, 65, is also Chairman of the Board of Directors of Groupe Air France and a Director of Alcatel Lucent, La Poste and GDF Suez. He owns 800 Saint-Gobain shares.
45, rue de Paris - 95747 Roissy-Charles de Gaulle Cedex (France)

- Board secretary: **Bernard FIELD**,
  Corporate Secretary of Compagnie de Saint-Gobain

Membership of the Board of Directors

On the recommendation of the Appointments Committee, the Board of Directors conducted a new review of each director's situation in relation to the independence criteria set out in the AFEP-MEDEF corporate governance code for publicly listed companies. Based on this review, the Board concluded that all of these criteria were met by seven of the sixteen directors at March 1, 2009 – Isabelle Bouillot, Robert Chevrier, Jean-Martin Folz, Yuko Harayama, Sylvia Jay, Denis Ranque and Jean-Cyril Spinetta – and that these seven directors could therefore be qualified as independent.
This is one less director than recommended in the corporate governance code, due to the presence on the Board of two directors (three as from the Annual General Meeting of June 4, 2009) representing Wendel, which owns approximately 20% of the capital. One seat on the Board is held by a representative of employee shareholders (Bernard Cusenier) but there are no directors elected by employees or non-voting directors.

The company's bylaws stipulate that each director must hold at least 800 shares.

Re-election of Directors

The dates on which the current directors were first elected to the Board and the starting dates of their current terms are as follows:

- Jean-Louis Beffa ....February 1987 ....June 2008
- Michel Pébereau ....June 1993 ....June 2005
- Gérard Mestrallet ....November 1995 ....June 2007
- Isabelle Bouillot ....June 1998 ....June 2008
- Jean-Martin Folz ....March 2001 ....June 2005
- Sylvia Jay ....June 2001 ....June 2008
- Denis Ranque .... June 2003 ....June 2007
- Gianpaolo Caccini .... June 2004 ....June 2005
- Gerhard Cromme and Jean-Cyril Spinetta ... June 2005........June 2005
- Pierre-André de Chalendar June 2006........June 2006
- Bernard Cusenier ....September 2006........June 2007
- Robert Chevrier and Yuko Harayama .... June 2007........June 2007
- Bernard Gautier and Jean-Bernard Lafonta. . June 2008........June 2008

The Annual General Meeting of June 5, 2003 decided to reduce the directors' term of office from six to four years. The change applied to directors elected or re-elected on June 5, 2003 or subsequently, and did not affect the terms of directors in office at that date.

The current directors' terms expire as follows:

- Gianpaolo Caccini, Gerhard Cromme, Jean-Martin Folz, Michel Pébereau and Jean-Cyril Spinetta: 2009 Annual General Meeting
- Pierre-André de Chalendar: 2010 Annual General Meeting
- Robert Chevrier, Bernard Cusenier, Yuko Harayama, Gérard Mestrallet and Denis Ranque: 2011 Annual General Meeting
- Jean-Louis Beffa, Isabelle Bouillot, Bernard Gautier, Sylvia Jay and Jean-Bernard Lafonta: 2012 Annual General Meeting.

As indicated above, the terms of five directors expire at the Annual General Meeting to be held on June 4, 2009. Based on the recommendation of the Appointments Committee, the Board of Directors has decided to recommend that shareholders re-elect these five directors for a further four-year term.

Gerhard CROMME

Chairman of the Supervisory Board of ThyssenKrupp AG

Gerhard Cromme, 66, a German citizen, is also a member of the Supervisory Board of Allianz SE and Axel-Springer AG, and Chairman of the Supervisory Board of Siemens AG. He owns 800 Saint-Gobain shares.

Jean-Martin FOLZ

Chairman of AFEP

Jean-Martin Folz, 62, former Chairman of the Managing Board of Peugeot S.A., is also a Director of Société Générale, Alstom, Carrefour and Solvay, and a member of the Supervisory Board of Axa. He owns 1,200 Saint-Gobain shares.

Michel PÉBEREAU

Chairman of the Board of Directors of BNP Paribas

Michel Pébereau, 67, is also a Director of Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Suisse, a member of the Supervisory Board of Axa and *Banque Marocaine pour le Commerce et l'Industrie*, and a Non-Voting Director of Galeries Lafayette. He is also Chairman of the *Commission Banque d'Investissement et de Marchés of the Fédération Bancaire Française*, President of *Institut de l'Entreprise*, Chairman of the Management Board of *Institut d'Études Politiques de Paris* and of the Supervisory Board of *Institut Aspen France*, member of the *Académie des Sciences Morales et Politiques*, the *Haut Conseil de l'Éducation*, the Executive Council of the MEDEF, the *Institut International d'Études Bancaires*, the European Financial Round Table, the International Advisory Panel of the Monetary Authority of Singapore, the International Capital Markets Advisory Committee of the Federal Reserve Bank of New York and the International Business Leaders' Advisory Council for the Mayor of Shanghai. He owns 820 Saint-Gobain shares.

Jean-Cyril SPINETTA

Chairman of the Board of Directors of Air France-KLM

Jean-Cyril Spinetta, 65, is also Chairman of the Board of Directors of Groupe Air France and a Director of Alcatel Lucent, La Poste and GDF Suez. He owns 800 Saint-Gobain shares.

In addition, pursuant to the March 20, 2008 agreement concerning the seats on the Board to be awarded to Wendel and in line with the Appointments Committee's recommendation, the Board of Directors will propose at the Annual General Meeting on June 4, 2009 that Gilles Schnepp be elected as director, to replace Gianpaolo Caccini, who has reached the maximum age for Board membership and is stepping down.

Gilles SCHNEPP

51, is a graduate of *École des Hautes Études Commerciales* (HEC). He began his career with Merrill Lynch as Vice President, Bonds and Derivatives. In 1989, he joined the Legrand Group where he held various positions before being named Chief Operating Officer in 2000, member of the Executive Committee and the Board of Directors in 2001 and Vice Chairman and Chief Executive Officer in 2004. He has been Chairman and Chief Executive Officer of Legrand since 2006.

Other directorships and positions held by members of the Compagnie de Saint-Gobain Board of Directors

Director's name and current main position (as of March 1, 2009)	2008	2007	2006	2005	2004
Jean-Louis BEFFA Chairman of the Board of Directors of Compagnie de Saint-Gobain	• Chairman of the Board of Directors of Compagnie de Saint-Gobain • Vice-Chairman of the Board of Directors of BNP Paribas • Director of GDF Suez and Groupe Bruxelles Lambert • Member of the Supervisory Board of Siemens AG, *Le Monde S.A.* and *Société Éditrice du Monde S.A.* • Chairman of Claude Bernard Participations SAS • Member of the Supervisory Board of *Le Monde Partenaires SAS* • Within the Saint-Gobain Group, Director of Saint-Gobain Corporation and Saint-Gobain Cristaleria, • Co-Chairman of Centre Cournot pour la *Recherche en Économie* and Vice-Chairman of the Supervisory Board of *Fonds de Réserve des Retraites*	• Chairman of the Board of Directors of Compagnie de Saint-Gobain • Vice-Chairman of the Board of Directors of BNP Paribas • Director of Gaz de France and Groupe Bruxelles Lambert • Member of the Supervisory Board of *Le Monde S.A.* and *Société Éditrice du Monde S.A.* • Chairman of Claude Bernard Participations SAS • Member of the Supervisory Board of *Le Monde Partenaires SAS* • Within the Saint-Gobain Group, permanent representative of the company on the Board of Directors of Saint-Gobain PAM • Director of Saint-Gobain Cristaleria and Saint-Gobain Corporation • Co-Chairman of Centre Cournot pour la *Recherche en Économie* and Vice-Chairman of the Supervisory Board of *Fonds de Réserve des Retraites*	• Chairman & Chief Executive Officer of Compagnie de Saint-Gobain • Vice-Chairman of the Board of Directors of BNP Paribas • Director of Gaz de France and Groupe Bruxelles Lambert • Member of the Supervisory Board of *Le Monde S.A.* and *Société Éditrice du Monde S.A.* • Chairman of Claude Bernard Participations SAS • Member of the Supervisory Board of *Le Monde Partenaires SAS* • Within the Saint-Gobain Group, permanent representative of the company on the Board of Directors of Saint-Gobain PAM • Director of Saint-Gobain Cristaleria and Saint-Gobain Corporation • Chairman of the Supervisory Board of *Agence de l'Innovation Industrielle* • Co-Chairman of Centre Cournot pour la *Recherche en Économie* and Vice-Chairman of the Supervisory Board of *Fonds de Réserve des Retraites*	• Chairman & Chief Executive Officer of Compagnie de Saint-Gobain • Vice-Chairman of the Board of Directors of BNP Paribas • Director of Gaz de France and Groupe Bruxelles Lambert • Member of the Supervisory Board of *Le Monde S.A.* and *Société Éditrice du Monde S.A.* • Chairman of Claude Bernard Participations SAS • Member of the Supervisory Board of *Le Monde Partenaires SAS* • Within the Saint-Gobain Group, permanent representative of the company on the Board of Directors of Saint-Gobain PAM • Director of Saint-Gobain Cristaleria and Saint-Gobain Corporation • Chairman of the Supervisory Board of *Agence de l'Innovation Industrielle*, co-Chairman of Centre Cournot pour la *Recherche en Économie* and Vice-Chairman of the Supervisory Board of *Fonds de Réserve des Retraites*	• Chairman & Chief Executive Officer of Compagnie de Saint-Gobain • Vice-Chairman of the Board of Directors of BNP Paribas • Director of Gaz de France and Groupe Bruxelles Lambert • Member of the Supervisory Board of *Le Monde S.A.* and *Société Éditrice du Monde S.A.* • Chairman of Claude Bernard Participations SAS • Member of the Supervisory Board of *Le Monde Partenaires SAS* • Within the Saint-Gobain Group, permanent representative of the company on the Board of Directors of Saint-Gobain PAM • Director of Saint-Gobain Cristaleria and Saint-Gobain Corporation • Co-Chairman of Centre Cournot pour la *Recherche en Économie* and Vice-Chairman of the Supervisory Board of *Fonds de Réserve des Retraites*
Isabelle BOUILLOT Chairman of China Equity Links	• Chairman of China Equity Links • Director of Accor and Umicore • Managing Partner of IB Finance	• Chairman of China Equity Links • Director of Accor and Umicore • Managing Partner of IB Finance	• Chairman of China Equity Links • Managing Partner of IB Finance • Director of Accor and Umicore	• Managing Partner of IB Finance • Director of Accor and Umicore	• Managing Partner of IB Finance • Member of the Supervisory Board of Accor • Director of La Poste and Umicore
Gianpaolo CACCINI Chairman of Assovetro (Italian glass manufacturers' association)	• Chairman of Assovetro (Italian glass manufacturers' association) • Director of Nexans, JM Huber Corp. and Saint-Gobain Corporation	• Chairman of Assovetro (Italian glass manufacturers' association) • Director of Nexans, JM Huber Corp., Nybron and Saint-Gobain Corporation	• Chairman of Assovetro (Italian glass manufacturers' association) • Former Chief Operating Officer of Compagnie de Saint-Gobain • Director of Nexans, JM Huber Corp., Nybron and Saint-Gobain Corporation	• Director of Nexans, JM Huber Corp., Saint-Gobain Corporation • Chairman of Assovetro (Italian glass manufacturers' association)	• Director of Nexans, JM Huber Corp., Saint-Gobain Corporation • Chairman of Assovetro (Italian glass manufacturers' association)
Pierre-André de CHALENDAR Chief Executive Officer of Compagnie de Saint-Gobain	• Chief Executive Officer of Compagnie de Saint-Gobain • Within the Saint-Gobain Group, Director of Saint-Gobain Corporation and SG Distribution Nordic AB.	• Chief Operating Officer of Compagnie de Saint-Gobain then Chief Executive Officer • Director of Saint-Gobain Corporation and SG Distribution Nordic AB.	• Chief Operating Officer of Compagnie de Saint-Gobain • Director of Saint-Gobain Corporation, SG Aldwych, BPB and SG Distribution Nordic AB.		
Robert CHEVRIER Chairman of Société de Gestion Roche Inc.	• Chairman of *Société de Gestion Roche Inc.* • Chairman of the Board of Directors of Richelieu Hardware Ltd. • Chairman of the Board and member of the Audit Committee of The Pension Fund Society of the Bank of Montreal • Lead director of CGI Inc. and Cascades Inc. • Chairman of the Audit Committee of Cascades Inc. and Addenda Capital Inc.	• Chairman of the Board of Directors of Richelieu Hardware Ltd. • Chairman of the Board and member of the Audit Committee of The Pension Fund Society of the Bank of Montreal • Lead director of CGI Inc. and Cascades Inc. • Chairman of the Audit Committee of Cascades Inc. and Addenda Capital Inc. • Chairman of the Audit Committee of Transcontinental Inc. • Member of the Audit Committee and the Human Resources Committee of CGI Inc.			

Director's name and current main position (as of March 1, 2009)	2008	2007	2006	2005	2004
Gerhard CROMME Chairman of the Supervisory Board of ThyssenKrupp AG and Siemens	• Chairman of the Supervisory Board of ThyssenKrupp AG • Member of the Supervisory Board of Allianz SE and Axel-Springer AG • Chairman of the Supervisory Board of Siemens AG	• Chairman of the Supervisory Board of ThyssenKrupp AG and Siemens AG • Member of the Supervisory Board of Allianz SE, Axel-Springer, Deutsche Lufthansa AG and E.ON AG • Director of BNP Paribas and Suez	• Chairman of the Supervisory Board of ThyssenKrupp AG • Member of the Supervisory Board of Allianz AG, Axel Springer AG, Deutsche Lufthansa AG, E. ON AG, Hochtief AG, Siemens AG and Volkswagen AG • Director of BNP Paribas S.A. and Suez S.A.	• Chairman of the Supervisory Board of ThyssenKrupp AG • Member of the Supervisory Board of Allianz AG, Axel Springer AG, Deutsche Lufthansa AG, E. ON AG, Hochtief AG, Siemens AG and Volkswagen AG • Director of BNP Paribas S.A. and Suez S.A.	
Bernard CUSENIER Chief Executive Officer of SG Ecophon SA and Chief Operating Officer of SG Eurocoustic	• Chief Executive Officer of SG Ecophon SA and Chief Operating Officer of SG Eurocoustic • Chairman of *Association des Actionnaires Salariés et Anciens Salariés de Saint-Gobain*, and of the Supervisory Board of the SG PEG France corporate mutual fund	• Chief Executive Officer of SG Ecophon SA and Chief Operating Officer of SG Eurocoustic • Chairman of *Association des Actionnaires Salariés et Anciens Salariés de Saint-Gobain*, and of the Supervisory Board of the SG Avenir corporate mutual fund	• Chairman of *Association des Actionnaires Salariés et Anciens Salariés de Saint-Gobain*, and of the Supervisory Board of the SG Avenir corporate mutual fund		
Jean-Martin FOLZ Chairman of AFEP	• Chairman of AFEP • Director of Société Générale, Alstom, Carrefour and Solvay • Member of the Supervisory Board of AXA	• Chairman of the Managing Board of Peugeot S.A. • Chairman of the Boards of Directors of Automobiles Peugeot and Automobiles Citroën • Director of Société Générale, Alstom and Solvay • Member of the Supervisory Board of AXA and Carrefour	• Chairman of the Managing Board of Peugeot S.A. • Chairman of the Boards of Directors of Automobiles Peugeot and Automobiles Citroën • Director of Solvay, Banque PSA Finance, Peugeot Citroën Automobiles and Faurecia	• Chairman of the Managing Board of Peugeot S.A. • Chairman of the Boards of Directors of Automobiles Peugeot and Automobiles Citroën • Director of Solvay, Banque PSA Finance, Peugeot Citroën Automobiles and Faurecia	• Chairman of the Managing Board of Peugeot S.A. • Chairman of the Boards of Directors of Automobiles Peugeot and Automobiles Citroën • Director of Solvay, Banque PSA Finance, Peugeot Citroën Automobiles and Faurecia
Bernard GAUTIER Member of the Managing Board of Wendel	• Member of the Managing Board of Wendel • Vice-Chairman of the Supervisory Board of Editis Holding • Director of Communication Media Partner, Stahl Holdings BV and Group BV, Winvest International SA SICAR • Legal manager of Winvest Conseil Member of the Supervisory Board of Altineis, Altineis 2, Altineis 3 Legal manager of BG Invest, BJPG Conseil, SCI La République, La Cabine Saint-Gautier				
Yuko HARAYAMA Professor at Tohoku University (Japan)	• Professor at Tohoku University (Japan)	• Professor at Tohoku University (Japan)			
Sylvia JAY Vice Chairman of L'Oréal UK Ltd	• Vice Chairman of L'Oréal UK • Director of Alcatel Lucent and Lazard Limited • Chairman of Pilgrim Trust and Food from Britain • Trustee of the Entente Cordiale Scholarship Scheme, the Prison Reform Trust and The Body Shop Foundation	• Vice Chairman of L'Oréal UK • Director of Alcatel Lucent and Lazard Limited • Chairman of Pilgrim Trust and Food from Britain • Trustee of the Entente Cordiale Scholarship Scheme, the Prison Reform Trust and The Body Shop Foundation	• Vice Chairman of L'Oréal UK • Director of Alcatel Lucent and Lazard Limited • Chairman of Pilgrim Trust and Food from Britain • Trustee of the Entente Cordiale Scholarship Scheme and the Prison Reform Trust	• Vice Chairman of L'Oréal UK • Director General of the British Food and Drink Federation (until August 2005) • Lay member of the Procedures and Disciplinary Committee of the General Council to the Bar, Industrial Governor of the British Nutrition Foundation, Chairman of the Pilgrim Trust, member of the Franco-British Council and Trustee of the Entente Cordiale Scholarships Scheme	• Director General of the British Food and Drink Federation • Director of Carrefour • Lay member of the Procedures and Disciplinary Committee of the General Council to the Bar, Industrial Governor of the British Nutrition Foundation, Chairman of the Pilgrim Trust and Trustee of the Entente Cordiale Scholarships Scheme, member of the Council of Food from Britain and of the Franco-British Council

Director's name and current main position (as of March 1, 2009)	2008	2007	2006	2005	2004
Jean-Bernard LAFONTA Chairman of the Managing Board of Wendel	• Chairman of the Managing Board of Wendel • Chairman of the Supervisory Board of Bureau Veritas and Editis Holding and of the Board of Directors of Winvest International SA SICAR • Director of Legrand • Member of the Supervisory Board of Oranje-Nassau Groep BV and of the Managing Board of Materis Parent SARL • Legal manager of Winvest Conseil • Member of the Supervisory Board of Alteneis 2 • Chairman of Compagnie de l'Audon • Legal manager of Granit, JBMN, Société Civile Hautmer, Société Civile Ilbano				
Gérard MESTRALLET Chairman & Chief Executive Officer of GDF Suez	• Chairman & Chief Executive Officer of GDF Suez • Member of the Supervisory Board of AXA and Director of Pargesa Holding • Chairman of the Board of Directors of Suez-Tractebel, Suez Environnement, Electrabel, Suez Energie Services, Hisusa and Suez Environnement Company • Vice-Chairman of Sociedad General de Aguas de Barcelona	• Chairman & Chief Executive Officer of Suez • Member of the Supervisory Board of AXA and Director of Pargesa Holding • Chairman of the Board of Directors of Suez-Tractebel, Suez Environnement, Electrabel, Suez Energie Services, Hisusa and Houlival • Vice-Chairman of Sociedad General de Aguas de Barcelona	• Chairman & Chief Executive Officer of Suez • Member of the Supervisory Board of AXA and Director of Pargesa Holding • Chairman of the Board of Directors of Suez-Tractebel, Suez Environnement, Electrabel and Suez Energie Services • Vice-Chairman of Hisusa and Sociedad General de Aguas de Barcelona	• Chairman & Chief Executive Officer of Suez • Member of the Supervisory Board of AXA and Director of Pargesa Holding • Chairman of the Board of Directors of Suez-Tractebel, Suez Environnement, Electrabel, Elyo • Vice-Chairman of Hisusa and Sociedad General de Aguas de Barcelona • Director of Crédit Agricole (until May 2005) • Member of the Supervisory Board of Taittinger (until September 2005)	• Chairman & Chief Executive Officer of Suez • Member of the Supervisory Board of AXA and Taittinger • Director of Crédit Agricole and Pargesa Holding • Chairman of the Board of Directors of Suez-Tractebel, Electrabel, Suez Environnement • Vice-Chairman of Hisusa and Sociedad General de Aguas de Barcelona
Michel PÉBEREAU Chairman of the Board of Directors of BNP Paribas	• Chairman of the Board of Directors of BNP Paribas • Director of Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Suisse • Member of the Supervisory Board of AXA and *Banque Marocaine pour le Commerce et l'Industrie* • Non-voting director of *Galeries Lafayette* • Chairman of *Fédération Bancaire Européenne, Commission Banque d'Investissement de la Fédération Bancaire Française, Institut de l'Entreprise, Institut International d'Études Bancaires,* Management Board of Institut d'Études Politiques de Paris and of the Supervisory Board of Institut Aspen France • Member of *Académie des Sciences Morales et Politiques, Haut Conseil de l'Éducation*, Executive Council of MEDEF, European Financial Round Table, International Advisory Panel of the Federal Reserve Bank of New York and International Business Leaders' Advisory Council for the Mayor of Shanghai	• Chairman of the Board of Directors of BNP Paribas • Director of Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Suisse • Member of the Supervisory Board of AXA and *Banque Marocaine pour le Commerce et l'Industrie* • Non-voting director of *Galeries Lafayette* • Chairman of *Fédération Bancaire Européenne, Commission Banque d'Investissement de la Fédération Bancaire Française, Institut de l'Entreprise, Institut International d'Études Bancaires*, Management Board of *Institut d'Études Politiques de Paris* and of the Supervisory Board of Institut Aspen France • Member of the Haut *Conseil de l'Éducation*, Executive Council of MEDEF, International Advisory Panel of the Monetary Authority of Singapore, International Capital Markets Advisory Committee of the Federal Reserve Bank of New York and International Business Leaders' Advisory Council	• Chairman of the Board of Directors of BNP Paribas • Director of Lafarge, Total and Pargesa Holding • Member of the Supervisory Board of AXA and *Banque Marocaine pour le Commerce et l'Industrie* • Non-voting director of *Galeries Lafayette* • Chairman of *Fédération Bancaire Européenne, Institut de l'Entreprise, Institut International d'Études Bancaires*, Management Board of *Institut d'Études Politiques de Paris* and of the Supervisory Board of Institut Aspen France • Member of the *Haut Conseil de l'Éducation*, Executive Council of MEDEF, International Advisory Panel of the Monetary Authority of Singapore, International Capital Markets Advisory Committee of the Federal Reserve Bank of New York and International Business Leaders' Advisory Council for the Mayor of Shanghai	• Chairman of the Board of Directors of BNP Paribas • Director of Lafarge and Total • Member of the Supervisory Board of AXA • Non-voting director of *Galeries Lafayette* Chairman of Fédération *Bancaire Européenne, Institut de l'Entreprise*, Management Board of *Institut d'Études Politiques de Paris* and Advisory Board of Institut Aspen • Member of the *Haut Conseil de l'Éducation*, Executive Council of MEDEF, International Monetary Conference, International Advisory Panel of the Monetary Authority of Singapore, International Capital Markets Advisory Committee of the Federal Reserve Bank of New York and International Business Leaders' Advisory Council for the Mayor of Shanghai	• Chairman of the Board of Directors of BNP Paribas • Director of Lafarge and Total, BNP Paribas UK, *Banque Marocaine pour le Commerce et l'Industrie* • Member of the Supervisory Board of AXA • Non-voting director of *Galeries Lafayette* • Chairman of *Fédération Bancaire Européenne, Institut de l'Entreprise* and Advisory Board of Institut Aspen • Member of the International Monetary Conference, International Advisory Panel of the Monetary Authority of Singapore, International Capital Markets Advisory Committee of the Federal Reserve Bank of New York and International Business Leaders' Advisory Council for the Mayor of Shanghai

Director's name and current main position (as of March 1, 2009)	2008	2007	2006	2005	2004
Denis RANQUE Chairman & Chief Executive Officer of Thales	• Chairman & Chief Executive Officer of Thales • Chairman of the Board of Directors of *École Nationale Supérieure des Mines de Paris* and of the *Cercle de l'Industrie* • First Vice President of GIFAS • Director of *Fondation de l'École Polytechnique*	• Chairman & Chief Executive Officer of Thales • Chairman of the Board of Directors of *École Nationale Supérieure des Mines de Paris* and of the *Cercle de l'Industrie* • First Vice President of GIFAS • Director of *Fondation de l'École Polytechnique*	• Chairman & Chief Executive Officer of Thales • Chairman of the Board of Directors of *École Nationale Supérieure des Mines de Paris* and of the *Cercle de l'Industrie* • First Vice President of GIFAS • Director of *Fondation de l'École Polytechnique*	• Chairman & Chief Executive Officer of Thales • Chairman of the Board of Directors of *École Nationale Supérieure des Mines de Paris* and of the *Cercle de l'Industrie* • First Vice President of GIFAS • Director of *Fondation de l'École Polytechnique*	• Chairman & Chief Executive Officer of Thales • Chairman of the Board of Directors of *École Nationale Supérieure des Mines de Paris* and of the *Cercle de l'Industrie* • First Vice President of GIFAS • Director of *Fondation de l'École Polytechnique*
Jean-Cyril SPINETTA Chairman of Air France-KLM	• Chairman & Chief Executive Officer of Air France-KLM • Chairman & Chief Executive Officer of Groupe Air France • Director of Alcatel Lucent, La Poste and GDF Suez	• Chairman & Chief Executive Officer of Air France-KLM • Chairman & Chief Executive Officer of Groupe Air France • Director of Unilever and Alcatel Lucent	• Chairman & Chief Executive Officer of Air France-KLM • Chairman & Chief Executive Officer of Groupe Air France • Director of Alitalia, Unilever and Alcatel Lucent • Permanent representative of Air France on the Board of Directors of Monde Entreprises	• Chairman & Chief Executive Officer of Air France-KLM • Director of Alitalia • Permanent representative of Air France on the Board of Directors of Monde Entreprises	

To the best of the company's knowledge, as of the date of this registration document, there are no family links between the company's directors and, in the last five years, no director has been found guilty of fraud, been associated with a bankruptcy, sequestration or liquidation, been incriminated by or subject to an official public sanction issued by a statutory or regulatory authority, or been prevented by a court from acting as a member of an administrative, management or supervisory body of an issuer of securities or from taking part in managing or conducting an issuer's business.

Board organization and practices

At its meeting on June 7, 2007, the Board of Directors decided to separate the functions of Chairman and Chief Executive Officer. Pierre-André de Chalendar was appointed as Chief Executive Officer, effective from the date of the meeting, and Jean-Louis Beffa was confirmed in his position as Chairman of the Board.

In line with the guidelines in the AFEP-MEDEF corporate governance code, the Board of Directors adopted a set of internal rules in 2003.

The **Internal Rules of the Board of Directors** in effect as of December 31, 2008 describe the Board's organization and practices. They can be summarized as follows:

- *Board meetings.* The Board holds seven scheduled meetings each year, including one at a different Group site each year. Directors may participate in meetings using videoconference or other interactive telecommunication technologies, to the extent permitted by law.
- *Information for Directors.* Prior to each meeting, the directors are provided with an analysis of year-to-date operating profit and net debt, selected financial analyses and press-cuttings, as well as with copies of the presentations to be made during the meeting. The information file for the meeting to approve the annual financial statements also includes the draft annual report, consolidated financial statements and financial statements of the company. Between meetings, the directors receive copies of all press releases issued by the Group along with relevant information about material transactions carried out by the Group. The directors have the right to ask for any and all other documents that they consider necessary to make an informed contribution to the Board's discussions and to meet senior executives of the Group without any executive directors being present, after notifying the Chairman of the Board and the Chief Executive Officer.
- *Board activities*. The Board examines all issues that fall within its remit as specified in the applicable laws and regulations and the company's bylaws. In addition, a meeting is held at least once a year to review and decide on the Group's overall strategy. All capital expenditure, restructuring, acquisition and financial investment and divestment projects individually representing over €150 million must be submitted to the Board for prior approval, along with any material transactions that fall outside the Group's stated strategy. The Board's practices are reviewed during at least one meeting each year and formal assessments of its organization and practices are conducted periodically with the guidance of the Appointments Committee. Every year, the Board also reviews each director's situation in relation to the independence criteria set out in the AFEP-MEDEF corporate governance code for public companies, based on a report prepared by the Appointments Committee. Lastly, one meeting may be held without the executive directors being present, to allow the non-executive directors to assess their performance and consider the future senior management line-up.

- *Committees of the Board*. Three committees of the Board – the Financial Statements Committee, the Appointments Committee and the Strategy Committee (set up in June 2008) – prepare presentations of the issues submitted to the Board in their respective areas. These committees, whose members are appointed by the Board, may commission technical reports by outside experts – the costs of which are paid by the Compagnie de Saint-Gobain – and consult Group executives after notifying the Chairman of the Board and the Chief Executive Officer. The Board's internal rules also cover the duties and practices of the three committees of the Board. A description of their duties is provided in the section on each committee.
- *Directors' obligations and duties*. Under French securities regulations, Directors are qualified as permanent insiders and as such are required to comply with the laws and regulations concerning insider trading. Directors are also banned from trading directly or indirectly in the Compagnie de Saint-Gobain's shares or in derivative instruments that have the Compagnie de Saint-Gobain's shares as the underlying, during the 45 days preceding the Board meetings at which the annual and interim consolidated financial statements are reviewed and the day after these meetings (referred to as "negative windows")[1]. As well as complying with the duty of discretion imposed by law, Directors are required to treat as strictly confidential all documents and information submitted to the Board and all matters discussed during Board meetings, for as long as they have not been made public. Directors must also avoid any actual or potential conflict of interests, whether direct or indirect.

In accordance with French securities legislation, Directors must disclose to the *Autorité des Marchés Financiers* details of all of their transactions in Compagnie de Saint-Gobain shares.

- *Attendance* fees. The Board's internal rules also specify the basis on which attendance fees are to be allocated among the Directors. For further information, see page 103.
- *Other provisions of the internal rules*. The internal rules also allow for Directors to receive additional training about the Group's businesses and the accounting, financial and operational aspects of its activities. They also stipulate that directors must attend General Meetings of shareholders.

To the best of the company's knowledge, there are no conflicts of interest between the company and the private and business interests of the members of the Board.

Board assessments

Assessments of the Board's performance are carried out each year. The assessment is conducted with the assistance of outside consultants every three years (in 2000, 2003 and 2006 [2]) and by the Appointments Committee in intermediate years – including 2008 –, based on a questionnaire sent to each Director by the Committee Chairman.

An executive summary of the Directors' replies was submitted to the Board of Directors in May 2008. The Board's performance in substantially all of the nineteen areas dealt with in the questionnaire was rated "Good" or "Excellent". However, its performance was rated slightly lower ("Acceptable") in three areas – formal application of Board decisions, information about and discussion of the Group's main risk exposures, and information given to directors between meetings. The Board has taken the directors' comments into account.

For each area of Board performance, when asked whether there had been qualitative improvement since the last assessments, respondents generally replied that quality was unchanged, although some of them noted an improvement in Board practices.

A new external assessment conducted with guidance from the Appointments Committee is scheduled for the second half of 2009.

The Board of Directors met nine times in 2008, with an average attendance rate of 91%.

Committees of the Board

Financial Statements Committee

Michel PÉBEREAU, Chairman,
Isabelle BOUILLOT
Denis RANQUE

Two-thirds of the Committee members are independent directors (see page 92).

The Committee's remit is defined in the Board of Directors' internal rules.

Its main responsibility is to ensure that the accounting policies used to prepare the financial statements are both appropriate and are applied consistently from one period to the next, and that internal procedures for the reporting and control of financial information provide the necessary assurance in this regard. To this end, the Committee:

[1] The ban on trading in the company's shares during these negative windows also applies to senior executives and to other employees who have access to inside information.
[2] See 2000 Annual Report, page 55, 2003 Annual Report, page 26, and 2006 Annual Report, page 26.

- Reviews the interim and annual consolidated financial statements and the annual financial statements of the company as presented by senior management, prior to their examination by the Board of Directors.
- Reviews the scope of consolidation and the reasons why any companies have been excluded.
- Reviews material risks and off-balance sheet commitments, based on an explanatory report drawn up by the Chief Financial Officer.
- Makes recommendations concerning the organization of the internal audit function, and receives a copy of the internal audit program as well as executive summaries of the internal audit reports.
- Reviews the external auditors' work plan and conclusions, as well as the post-audit report prepared by the auditors setting out their main observations and describing the accounting options selected for the preparation of the financial statements.
- Conducts the auditor selection process, issues an opinion on the proposed statutory audit fee budget, and submits the results of the selection process to the Board.
- Reviews the advisory and other services that the auditors and the members of their network are authorized to provide to the Compagnie de Saint-Gobain and other Group entities under auditor independence rules.
- Obtains from the auditors the breakdown of the fees paid to them and to the members of their network by the Group over the past year, by category of service, and reports to the Board its opinion concerning the auditors' independence.

The Committee met four times in 2008, with an attendance rate of 100%. Three of these meetings were devoted to reviewing in detail the provisional 2007 consolidated financial statements (January), the final 2007 consolidated financial statements and financial statements of the Compagnie de Saint-Gobain (March) and the 2008 interim consolidated financial statements (July), and discussing these accounts with the Chief Executive Officer, the Chief Financial Officer and the auditors.

At each meeting, it discussed with the auditors the main audit issues discussed with the Finance department during the accounts closing process, particularly the key risk exposures and material commitments described in the Chief Financial Officer's explanatory report to the Committee.

The Committee also received regular updates of the situation concerning asbestos litigation in the United States. It discussed in detail with the auditors the financial and accounting consequences of this litigation for the American subsidiaries and the Group, in order to present a report on this issue to the Board at its next meeting. The Committee also obtained assurance that a provision was set aside to cover the potential costs arising from investigations by the European competition authorities (see page 110).

The Committee also obtained information from each of the auditors concerning the amount of fees paid to them by Group companies in 2007 for statutory audit work and for other services. The auditors' fees for 2007 and 2008 are presented on page 108. A procedure issued on October 1, 2003 clearly defines the services that may be provided by the Group's auditors and the members of their network, and the services that are prohibited.

During the year, the Committee also reviewed the 2008 budget, the draft report of the Chairman on internal control, the auditors' report on treasury transactions, the Internal Audit and Internal Control department's activity report for 2007, its 2008 internal audit program and its activity report for first-half 2008, and the technical notes issued by the Finance department during the first six months of 2008.

Lastly, the Committee held one-to-one discussions with the auditors, the Vice President – Financial Management, the Vice President – Treasury, Financing, Risks & Insurance, the Senior Vice President in charge of Internal Audit & Internal Control, and the Chief Financial Officer, in accordance with the recommendations of the AFEP-MEDEF corporate governance code for public companies.

The Committee reported to the full Board on its activities during the Board meetings of January 24, March 20, July 24 and September 18, 2008.

Appointments Committee

Jean-Martin FOLZ, Chairman
Bernard GAUTIER, from June 5, 2008
Sylvia JAY
Jean-Cyril SPINETTA

Three members of the Committee, including the Chairman, are independent directors (see page 92).

The Appointments Committee fulfils the duties of both the remunerations committee and the nominations committee provided for in the AFEP-MEDEF corporate governance code for public companies.

The Committee's remit, as defined in the Board of Directors' internal rules, is to:

- Make proposals to the Board in all cases where one or more seats on the Board fall vacant or the terms of one or more directors are due to expire. The Committee organizes the procedure to select candidates for election as independent directors, based on the independence criteria set out in the AFEP-MEDEF corporate governance code for public companies.
- Review annually each Director's situation in relation to the independence criteria set out in the AFEP-MEDEF code, and report its conclusions to the Board.
- Recommend candidates to the Board in the event that the position of Chairman of the Board falls vacant for whatever reason.
- Review proposals by the Chairman of the Board for the appointment of a Chief Executive Officer and/or one or more Chief Operating Officers, and report its conclusions to the Board.
- Make recommendations to the Board concerning the Chairman's compensation package, including pension benefits, and the criteria to be applied to determine his variable bonus, as well as the other aspects of his position.
- Make recommendations on the same issues for the Chief Executive Officer and/or the Chief Operating Officer(s).
- Discuss the Group's overall stock option policy and whether the options should be exercisable for new or existing shares, and review senior management's proposals concerning stock option plans for Group employees.
- Make recommendations concerning stock option grants to the Chairman of the Board and the members of senior management.

The Committee also makes presentations to support the Board's consideration of corporate governance issues and leads periodic assessments of the Board's organization and practices.

The Committee met three times in 2008, with an attendance rate of 100%. At its first meeting, the Committee reviewed potential candidates to be proposed at the Annual General Meeting to replace José Luis Leal Maldonado, who had decided to stand down, and discussed whether to recommend re-electing Jean-Louis Beffa, Isabelle Bouillot and Sylvia Jay, whose terms were due to expire at the General Meeting. In light of the March 20, 2008 agreement with Wendel, the Committee recommended that Jean-Bernard Lafonta should be proposed for election to the seat left vacant by Mr. Leal Maldonado's retirement, and that Bernard Gautier should be proposed to take up the newly-created 16th seat on the Board. The Committee also prepared the Board's review of each Director's situation in relation to the independence criteria set out in the AFEP-MEDEF corporate governance code for public companies.

As in prior years, the Committee re-examined the Group's stock option policy[1] and made recommendations to the Board concerning the number and categories of grantees, the type of options to be granted, general and specific vesting conditions, including the performance conditions applicable to part of the grants. It also reviewed the proposed grants based on the pre-defined objectives, prior to their submission to the Board for approval, and made recommendations concerning option grants to the Chairman and the members of senior management. In addition, the Committee considered whether it would be appropriate to set up a program of stock grants and decided not to make any recommendation to this effect to the Board in 2008.

Lastly, the Committee made recommendations to the Board on the performance bonuses of the Chairman and the Chief Executive Officer for 2007, as well as on the amount of their fixed compensation for 2008 and the performance criteria to be applied to determine their 2008 bonuses.

The Committee reported to the Board on its activities during the Board meetings of March 20, September 18 and November 20, 2008.

Strategy Committee

Jean-Cyril SPINETTA, Chairman
Pierre-André de CHALENDAR
Jean-Bernard LAFONTA

The Strategy Committee was set up and its members were appointed by the Board on June 5, 2008.

It is chaired by an independent Director.

- The Committee's remit, as defined in the Board's internal rules, is to examine the business plan, opportunities for improvement and strategic issues proposed by its members. It meets six times a year.
- The Committee met three times in 2008, with an attendance rate of 100%. The first meeting was devoted to reviewing the macro-economic assumptions used to prepare the five-year business plan and the main strategic objectives of the Sectors, apart from the Packaging Sector.

[1] The Group's stock option policy and the characteristics of the current plans are presented on pages 85, 86 and 87.

- The Committee examined in considerable detail the Group's strategic priorities and the action taken to adapt to the current crisis and identify opportunities for structural cost savings.
- It also looked closely at the Building Distribution Sector's business model, operational projects and growth opportunities.
- The Committee reported to the Board on its activities during the Board meetings of July 24 and September 18, 2008, and January 15, 2009.

Directors' compensation

At the Annual General Meeting of June 8, 2006, shareholders awarded attendance fees of €800,000 per year to Directors.

On July 24, 2006, the Board decided to allocate this amount as follows:

- The Chairman and the Chief Executive Officers do not receive any attendance fees.
- The other Directors each receive a fixed amount of €25,600 per year and €3,520 for each Board meeting attended during the year.
- In addition, the Chairmen and members of the Financial Statements Committee and the Appointments Committee each receive a fixed amount of €7,360 and €2,560 per year, respectively, and €2,560 for each Committee meeting attended during the year.
- For Directors who are elected or retire/resign from the Board during the year, the fixed fee is prorated to the actual period served.
- The fees are paid in two half-yearly installments in arrears, with any balance available from the annual amount distributed at the beginning of the next year based on each Director's attendance rate at the prior year's Board meetings.

Application of these rules in 2008 would have led to payments exceeding the authorized annual amount, due to the increase in the number of directors from 13 to 14 and the creation of the Strategy Committee in June. As a result, the Board decided to allocate the shortfall among the Directors entitled to fees at the end of 2008 on a prorated basis, so that the total fees paid in 2008 came to €800,000.

The total fixed and variable fees paid to each individual Director in respect of 2008 are shown in table 3 below.

Compensation and benefits of the Chairman and the Chief Executive Officer: principles and rules decided by the Board of Directors

The principles and rules governing the compensation and benefits of the Chairman of the Board of Directors and the Chief Executive Officer for 2008, as decided by the Board, were as follows:

- The Chairman's compensation comprised a fixed portion and a variable bonus based on three qualitative objectives related to Board efficiency, relations between the Board and its committees, and the balance between the Chairman's duties and those of the Chief Executive Officer. His performance in relation to these objectives was assessed by the Appointments Committee and the Board's decision was based on the Committee's recommendation.
- The Chief Executive Officer's compensation comprised a fixed salary and a variable bonus of up to 1.5 times the fixed salary. Sixty percent of the bonus was based on the Group's 2008 return on capital employed (ROCE), with the actual bonus increasing on a straight-line basis between a range of ROCE values, and 40% was based on three qualitative objectives related to his professional performance, implementation of Group strategy and the efficient operation of the Strategy Committee. His performance in relation to these objectives was assessed by the Appointments Committee and the Board's decision was based on the Committee's recommendation.
- Details of the compensation paid to the Chairman and the Chief Executive Officer are provided in tables 1 and 2 below.
- Concerning benefits awarded to corporate officers whose disclosure is required by law[1], at the Annual General Meeting of June 5, 2008, shareholders approved the application of the 1972 management pension plan rules to Jean-Louis Beffa, who reached the age of 66 in 2007. In line with these rules, his pension will be based on i) his total fixed compensation for 2006 and ii) his average bonus for the years 2002 to 2006 or 50% of his fixed compensation for 2006, whichever is lower. He will receive this pension from the date when he retires as Chairman of the Board of Directors.

The company has no other firm or potential commitments towards Jean-Louis Beffa for the payment of any compensation or benefits in connection with or following the termination of his functions or any change in his functions.

[1] Article L.225-102-1, third paragraph, of France's Commercial Code.

- The Annual General Meeting of June 5, 2008 also approved the Board's decision to allow Pierre-André de Chalendar, following his appointment as Chief Executive Officer, to continue to be covered by the pension plan available to him before he became a corporate officer. In line with this decision and with the 1972 management pension plan rules, his term as Chief Executive Officer will be added to his pensionable years of service, which will be calculated from October 1, 1989, corresponding to the date when he joined the Group. His pension will be based on his fixed compensation for his final year of service. In 2008, Pierre-André Chalendar continued to have access to up to 25 hours of support a year under a Group contract with an executive career management and support services company.

The Annual General Meeting of June 5, 2008 also approved the commitment given by the Board to pay compensation for loss of office to Pierre-André Chalendar in the event that his appointment is not renewed or he is removed from office other than as a result of serious professional misconduct.

- Jean-Louis Beffa and Pierre-André de Chalendar each have the use of a chauffeur-driven company car.
- They do not receive any Directors' attendance fees from any Saint-Gobain Group company.

Application of AFEP-MEDEF recommendations of October 6, 2008 concerning corporate officers who continue to have an employment contract and termination benefits awarded to corporate officers will be examined when the Chief Executive Officer's term comes up for renewal in 2010, as provided for in the recommendations.

1. Total compensation and stock options awarded to the Chairman and the Chief Executive Officer

(in euros)	2007	2008
Jean-Louis BEFFA Chairman of the Board of Directors		
Compensation for the year (see Table 2 for details)	1,226,000	1,052,036
Value of stock options granted during the year (see Table 4 for details)	1,216,000	457,500
Value of performance share grants for the year (see Table 6 for details)	0	0
Total	**2,442,000**	**1,509,536**
Pierre-André de CHALENDAR Chief Executive Officer		
Compensation for the year (see Table 2 for details)	1,168,133	1,282,607
Value of stock options granted during the year (see Table 4 for details)	2,432,000	1,067,500
Value of performance share grants for the year (see Table 6 for details)	0	0
Total	**3,600,133**	**2,350,107**

2. Compensation and benefits awarded to the Chairman and the Chief Executive Officer

(in euros)	2007		2008	
Jean-Louis BEFFA Chairman of the Board of Directors	Amount due	Amount paid	Amount due	Amount paid
Fixed compensation	713,418	713,418	613,848	613,848
Variable bonus	430,468	614,000	350,000	760,468
Exceptional bonus	0	0	0	0
Directors' attendance fees	0	0	0	0
Benefits in kind: - Accommodation	80,620	80,620	86,160	86,160
- Company car	1,494	1,494	2,028	2,028
Total	**1,226,000**	**1,409,532**	**1,052,036**	**1,462,504**
Pierre-André de CHALENDAR Chief Executive Officer	Amount due	Amount paid	Amount due	Amount paid
Fixed compensation	705,951	705,951	800,034	800,034
Variable bonus	458,750	845,000	480,000	458,750
Exceptional bonus	0	0	0	0
Directors' attendance fees	0	0	0	0
Benefits in kind: - Accommodation				
- Company car	3,432	3,432	2,573	2,573
Total	**1,168,133**	**1,554,383**	**1,282,607**	**1,261,357**

3. Directors' fees and other compensation received by non-executive directors (gross amounts)

Non-executive directors	Amounts paid (in euros) For 2007	For 2008
Isabelle BOUILLOT		
Attendance fees	71,627	63,713
Other compensation	0	0
Gianpaolo CACCINI		
Attendance fees	63,573	50,913
Other compensation	0	0
Robert CHEVRIER		
Attendance fees	28,758	54,077
Other compensation	0	0
Gerhard CROMME		
Attendance fees	54,080	50,913
Other compensation	0	0
Bernard CUSENIER		
Attendance fees	63,573	54,077
Other compensation	0	0
Paul A. DAVID		
Attendance fees	34,815	0
Other compensation	0	0
Jean-Martin FOLZ		
Attendance fees	69,212	69,117
Other compensation	0	0
Bernard GAUTIER		
Attendance fees	0	33,797
Other compensation	0	0
Yuko HARAYAMA		
Attendance fees	28,758	50,913
Other compensation	0	0
Sylvia JAY		
Attendance fees	73,813	64,318
Other compensation	0	0
Jean-Bernard LAFONTA		
Attendance fees	0	36,357
Other compensation	0	0
José Luis LEAL MALDONADO		
Attendance fees	54,080	25,122
Other compensation	0	0
Sehoon LEE		
Attendance fees	15,829	0
Other compensation	0	0
Gérard MESTRALLET		
Attendance fees	62,412	47,749
Other compensation	0	0
Michel PÉBEREAU		
Attendance fees	62,187	68,513
Other compensation	0	0
Denis RANQUE		
Attendance fees	67,576	60,549
Other compensation	0	0
Jean-Cyril SPINETTA		
Attendance fees	49,707	69,872
Other compensation	0	0
Total attendance fees	**800,000**	**800,000**
Total other compensation	**0**	**0**

4. Stock options granted to the Chairman and the Chief Executive Officer during the year

	Plan date	Options exercisable for new or existing shares	Value (based on method used to prepare the consolidated financial statements)	Number of options granted during the year	Exercise price	Exercise period
Jean-Louis BEFFA	Nov. 20, 2008	Not specified	457,500	75,000	€28.62	Nov. 21, 2012 – Nov. 19, 2018
Pierre-André de CHALENDAR	Nov. 20, 2008	Not specified	1,067,500	175,000	€28.62	Nov. 21, 2012 – Nov. 19, 2018

All of the options granted to the Chairman and the Chief Executive Officer are subject to performance conditions, as follows:

- No options will vest if 2011 ROCE is less than 11%
- Half of the options will vest if 2011 ROCE is equal to 11%
- All of the options will vest if 2011 ROCE exceeds 13%
- If 2011 ROCE is between 11% and 13%, the number of vested options will be determined by applying the following formula:
  Number of vested options = Number of options granted x (2011 ROCE – 11%)/(13%-11%)

5. Options exercised during the year by the Chairman and the Chief Executive Officer

	Plan date	Options exercisable for new or existing shares	Number of options exercised during the year	Exercise price
Jean-Louis BEFFA			0	
Pierre-André de CHALENDAR			0	

6. Performance shares granted to the Chairman and the Chief Executive Officer

Performance shares granted by the General Meeting to	Plan date	Number of shares granted during the year	Value (based on method used to prepare the consolidated financial statements)	End of vesting period	End of lock-up period	Performance conditions
Jean-Louis BEFFA		0				
Pierre-André de CHALENDAR		0				

7. Performance shares granted to the Chairman and Chief Executive Officer for which the lock-up period ended during the year

Performance shares for which the lock-up period ended during the year	Plan date	Number of shares for which the lock-up period ended during the year	Performance conditions
Jean-Louis BEFFA		0	
Pierre-André de CHALENDAR		0	

8. Historical information about stock option plans

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Date of General Meeting	June 24, 1999	June 24, 1999	June 28, 2001	June 28, 2001	June 5, 2003	June 5, 2003	June 9, 2005	June 9, 2005	June 7, 2007	June 7, 2007
Date of Board meeting	Nov. 18, 1999	Mar. 30, 2000 Nov. 16, 2000	Nov. 22, 2001	Nov. 21, 2002	Nov. 20, 2003	Nov. 18, 2004	Nov. 17, 2005	Feb.27, 2006 Nov. 16, 2006	Nov. 22, 2007	Nov. 20, 2008
Total shares under option	1,750,900	2,716,500	3,774,800	3,785,500	3,717,700	3,881,800	3,922,250	4,025,800	3,673,000	3,551,900
Of which: options granted to corporate officers									300,000	250,000
M. Jean-Louis BEFFA									100,000	75,000
M. Pierre-André de CHALENDAR									200,000	175,000
Starting date of exercise period	Nov. 18, 2002 or Nov. 18, 2004	Nov. 16, 2003 or Nov. 16, 2005	Nov. 22, 2004 or Nov. 22, 2005	Nov. 22, 2005 or Nov. 22, 2006	Nov. 21, 2006 or Nov. 21, 2007	Nov. 19, 2007 or Nov. 19, 2008	Nov. 18, 2008 or Nov. 18, 2009	Nov.17, 2009 or Nov. 17, 2010	Nov. 23, 2011	Nov. 21, 2012
Expiry date of exercise period	Nov. 17, 2009	Nov. 15, 2010	Nov. 21, 2011	Nov. 21, 2012	Nov. 20, 2013	Nov. 18, 2014	Nov. 17, 2015	Nov. 16, 2016	Nov. 22, 2017	Nov. 20, 2018
Exercise price[1]	€40.63	€37.72	€40.22	€23.53	€35.67	€43.56	€45.71	€58.10	€71.56	€28.62
Exercise terms	See pages 88 to 89									
Number of shares acquired	1,346,776	1,771,940	1,985,996	2,521,675	983,709	170,947	5,000	1,200	0	0
Cumulative number of cancelled or forfeited options	80,000	78,800	80,000	80,000	58,500	80,000	160,000	50,000	50,000	0
Options outstanding at Dec. 31, 2008[1]	324,124	865,760	1,708,804	1,183,825	2,675,491	3,630,853	3,757,250	3,974,600	3,623,000	3,551,900

9a. Options granted to the ten employees who received the greatest number of options

	Number of options granted	Unit Price
In 2008	415,000	€28.62
In 2007	485,000	€71.56

9b. Options granted to the ten employees who exercised the greatest number of options

	Total number of options exercised	Weighted average exercise price	O/w options granted on Nov. 18, 1999	O/w options granted on Nov. 16, 2000	O/w options granted on Nov. 22, 2001	O/w options granted on Nov. 21, 2002	O/w options granted on Nov. 20, 2003	O/w options granted on Nov. 18, 2004
In 2008	46,400	€33.09			3,600	19,000	11,800	12,000
In 2007	291,073	€32.00	60,000	50,600	7,500	123,873	49,100	0

10.

	Employment contract (suspended for duration of term)		Supplementary pension plan		Termination benefits		Non-compete indemnity	
	Yes	No	Yes	No	Yes	No	Yes	Non
Jean-Louis BEFFA Chairman of the Board	X		X			X		X
Pierre-André de CHALENDAR Chief Executive Officer	X		X		X			X

[1] Before adjustment for the rights issue announced on February 19, 2009

Management compensation

In Group companies other than Compagnie de Saint-Gobain, attendance fees awarded to Directors representing the Group – particularly members of Group senior management – are either transferred to the company that employs them or paid directly to that company.

In other companies of which the Group is a shareholder, attendance fees awarded to the Chairman of the Board as a Director of these companies are paid in full to the company.

The compensation paid to members of senior management is set at a level consistent with compensation packages offered by comparable groups and is structured in a way that acts as an incentive for the executive concerned to contribute to Group earnings growth.

The components of management compensation are defined by reference to specific studies commissioned by senior management from specialized consultants.

All members of senior management receive a variable bonus designed to reflect their personal performance in managing their unit.

The rollout of performance-related pay systems led to the introduction of formulas based on both financial targets such as return on assets (ROA) and return on investment (ROI) and qualitative targets such as developing a specific business or building a foothold in a given country.

In this way, senior management compensation is clearly linked to a system of management by objectives that promotes a high level of personal commitment. An individual's compensation can fluctuate significantly from one year to the next, based on the Group's results and the individual's personal performance.

Compensation received by the members of senior management, directly and indirectly from Group companies within and outside France, totaled €13.4 million in 2008 (2007: €15.2 million), including variable bonuses of €4.7 million (2007: €7.1 million) and termination benefits of €1.5 million (2007: €0.7 million).

Group management

GROUP MANAGEMENT AS OF MARCH 1, 2009

Senior Management[1]

Pierre-André de CHALENDAR Chief Executive Officer

Jean-Claude BREFFORT Senior Vice President in charge of Human resources and International Development

Philippe CROUZET Senior Vice President in charge of the Building Distribution Sector

Jérôme FESSARD Senior Vice President in charge of the Packaging Sector

Jean-Pierre FLORIS Senior Vice President in charge of the Innovative Materials Sector

Claude IMAUVEN Senior Vice President in charge of the Construction Products Sector

Jean-François PHELIZON Senior Vice President in charge of Internal Audit and Internal Control[2]

Bernard FIELD Corporate Secretary

Benoît BAZIN Chief Financial Officer

Executive Committee

Pierre-André de CHALENDAR

Benoît BAZIN

Bernard FIELD

Corporate departments management

Didier ROUX Vice President, Research

Sophie CHEVALLON Vice President, External Communications

Gonzague de PIREY Vice President, Corporate Planning

Sector management

Philippe CROUZET President, Building Distribution Sector

Peter DACHOWSKI Vice President, Construction Products Sector, North America

Jérôme FESSARD President, Packaging Sector

Jean-Pierre FLORIS President, Innovative Materials Sector (Flat Glass and High-Performance Materials)[3]

Claude IMAUVEN President, Construction Products Sector

[1] Jacques Aschenbroich was a Senior Vice President until December 31, 2008.
[2] Thierry Lambert, until December 31, 2008.
[3] Jacques Aschenbroich until December 31, 2008

GENERAL DELEGATES

Ricardo de RAMON GARCIA[(1)]
General Delegate, Spain, Portugal and Morocco

Gilles COLAS[(2)]
General Delegate, North America

Laurent GUILLOT
General Delegate, Brazil, Argentina and Chile

Peter HINDLE[(3)]
General Delegate, United Kingdom, Republic of Ireland and South Africa

Olivier LLUANSI
General Delegate, Eastern Europe[(4)]

Anand MAHAJAN
General Delegate, India

Paul NEETESON
General Delegate, Central Europe[(5)]

Emmanuel NORMANT[(6)]
General Delegate, Asia-Pacific

Guy ROLLI
General Delegate, Mexico, Venezuela and Colombia

Gianni SCOTTI
General Delegate, Italy, Egypt and Greece

Jorma TOIVONEN
General Delegate, Nordic Countries and Baltic States

CHANGES WITH EFFECT FROM APRIL 1, 1999

The following management changes will take place with effect from April 1, 2009:

- Benoît Bazin, will become President, Building Distribution Sector, replacing Philippe Crouzet who is leaving the Group.
- Laurent Guillot will become Chief Financial Officer
- Jean-Claude Breffort will become General Delegate, Brazil, Argentina and Chile, in addition to his current duties

Auditors

As of December 31, 2008, the company's auditors were:

- PricewaterhouseCoopers Audit, 63 rue de Villiers - 92208 Neuilly-sur-Seine, represented by Pierre Coll and Rémi Didier, reappointed on June 10, 2004 for a six-year term expiring at the 2010 Annual General Meeting.
- KPMG Audit, Department of KPMG S.A., 1 Cours Valmy, 92923 La Défense, represented by Jean Gatinaud and Jean-Paul Vellutini, reappointed on June 8, 2006 for a six-year term expiring at the 2012 Annual General Meeting.

The substitute auditors are:

- Yves Nicolas, 63 rue de Villiers 92208 Neuilly-sur-Seine, appointed on June 10, 2004 for a six-year term expiring at the 2010 Annual General Meeting.
- Fabrice Odent, 1 Cours Valmy 92923 La Défense, appointed on June 7, 2007 for a six-year term expiring at the 2012 Annual General Meeting.

(1) Benoît CARPENTIER until December 31, 2008.
(2) Jacques ASCHENBROICH until December 31, 2008.
(3) Roland LAZARD until December 31, 2008.
(4) Jean LARONZE, General Delegate, Poland, Russia and Ukraine, until December 31, 2008.
(5) Olivier du BOUCHERON, General Delegate, Benelux, until December 31, 2008.
(6) Gilles COLAS until December 31, 2008.

Fees paid by the Group to the Auditors and the members of their network for 2008

	PricewaterhouseCoopers Audit				KPMG			
	Amount (in € millions, excluding tax)		(%)		Amount (in € millions, excluding tax)		(%)	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Audit								
Statutory and contractual audits								
Compagnie de Saint-Gobain Issuer	0.7	0.7	6	5	0.7	0.7	5	6
Fully-consolidated subsidiaries	10.7	10.5	87	79	12.1	10.7	94	92
Total	**11.4**	**11.2**	**93**	**84**	**12.8**	**11.4**	**99**	**98**
Other audit-related services								
Compagnie de Saint-Gobain Issuer	0.5	0.4	4	3	0.0	0.0	0	0
Fully-consolidated subsidiaries	0.3	1.7	3	12	0.1	0.2	1	2
Total	**0.8**	**2.1**	**7**	**15**	**0.1**	**0.2**	**1**	**2**
Subtotal	**12.2**	**13.3**	**100**	**99**	**12.9**	**11.6**	**100**	**100**
Other services provided by members of the network to fully-consolidated subsidiaries								
Legal and tax advice	0	0	0	0	0	0	0	0
Other (fees representing over 10% of the audit fees)	0	0.1	0	1	0	0	0	0
Subtotal	**0.0**	**0.1**	**0**	**1**	**0**	**0**	**0**	**0**
TOTAL	**12.2**	**13.4**	**100**	**100**	**12.9**	**11.6**	**100**	**100**

Bylaws

Compagnie de Saint-Gobain is a French *société anonyme* governed by articles L.210-1 et seq. of France's Commercial Code. Its head office is at Les Miroirs, 18 avenue d'Alsace, 92400 Courbevoie (phone: +33 (0) 1 47 62 30 00) and it is registered in Nanterre under no. 542039532. Its APE business identifier code is 741 J and its Siret code is 54203953200040.

The company's corporate purpose is to conduct and manage, in France and internationally, any and all industrial, commercial, financial, securities and real estate transactions related to its manufacturing activities, through French or foreign subsidiaries or affiliates or otherwise (article 3 of the bylaws). The company's fiscal year runs from January 1 to December 31. Its term will be wound up on December 31, 2040, unless it is wound up before that date or its term is extended.

Official documents concerning the company may be consulted at the head office, Les Miroirs, 18, avenue d'Alsace, 92400 Courbevoie (Investor Relations Department).

Special clauses in the bylaws

Special clauses contained in the bylaws are as follows:

Disclosure thresholds

The bylaws require shareholders to disclose to the company, within five trading days, any increase in their interest to above 0.50% of the capital or voting rights or any multiple thereof, or any reduction in their interest to below any of these thresholds. This disclosure requirement applies to shares held either directly or indirectly, as well as to the combined interests of shareholders acting in concert. Failure to comply with these disclosure rules may result in the undisclosed shares being stripped of voting rights for a period of two years from the date when the non-disclosure is remedied, at the request of one or more shareholders representing at least 3% of the capital or voting rights, as recorded in the minutes of the General Meeting. These disclosure thresholds were decided by the Annual General Meetings of June 23, 1988, June 15, 1990 and June 10, 2004.

In addition, the company may request disclosure of information about its ownership structure and ownership of its shares in application of the relevant laws and regulations.

Board of Directors

The company is administered by a Board of Directors with at least three members and no more than sixteen members (Annual General Meeting of June 5, 2008), including one director representing employee shareholders (Annual General Meeting of June 6, 2002).

Directors are elected for a four-year term. The age limit for holding office as a director is 70, or 68 for the Chairman of the Board. The Board may decide to combine the functions of Chairman of the Board and Chief Executive Officer. The age limit for holding office as Chairman and Chief Executive Officer is 65, the same as for the Chief Executive Officer and the Chief Operating Officer (Annual General Meetings of June 6, 2002 and June 5, 2003).

A Director or the Chairman of the Board (whether or not he is also Chief Executive Officer) who reaches the age limit steps down at the close of the Annual General Meeting called to approve the financial statements for the year of their 70th, 68th or 65th birthday, as applicable.

The Board of Directors determines the company's overall strategy and examines any issues related to the efficient operation of the business (Annual General Meeting of June 6, 2002).

The Board's activities are organized and led by the Chairman (Annual General Meeting of June 10, 2004).

Board meetings may be held using videoconference or other interactive telecommunication technologies, to the extent permitted by law (Annual General Meeting of June 28, 2001).

Each Director is required to hold at least 800 Compagnie de Saint-Gobain shares (Annual General Meetings of June 24, 1999, June 28, 2001 and June 5, 2003).

General Meetings

Shareholders may participate in General Meetings in person or by giving proxy, provided that they submit proof of their identity and evidence of ownership of the shares as specified in the notice of meeting, at least five days before the meeting date, in accordance with legal requirements. The Board may however reduce or waive the five-day requirement, provided that the change is applied to all shareholders equally.

Shareholders may only give proxy to their spouse or to another shareholder. Corporate shareholders are represented by their legal representative or by any person designated by the legal representative.

At all General Meetings, voting rights are exercisable by the beneficial owner of the shares. Each shareholder has a number of voting rights corresponding to the number of shares held, without limitation.

However, double voting rights are allocated to fully paid-up shares registered in the name of the same holder for at least two years. In addition, in the case of a bonus share issue paid up by capitalizing reserves, profits or additional paid-in capital, bonus shares allocated in respect of registered shares with double voting rights also carry double voting rights from the date of issue (Annual General Meeting of February 27, 1987).

Double voting rights are forfeited when the shares are converted to bearer form or sold. However, double voting rights are not forfeited when title is transferred by way of an inheritance or as a result of the liquidation of the marital estate or an *inter vivos* donation to a spouse or a relative in the direct line of succession, and the transfer is not taken into account for the purpose of determining the two-year qualifying period.

Shareholders may vote by post in accordance with the applicable laws and regulations.

Appropriation of income

Each year, 5% of net income for the year less any losses brought forward from prior years is credited to the legal reserve, until such time as the legal reserve represents 10% of the capital. If the capital is increased, the same transfer requirement applies until the legal reserve represents 10% of the new capital.

Distributable income corresponds to net income for the year less any losses brought forward from prior years and less any amounts to be credited to reserves in application of the law or the company's bylaws, plus retained earnings.

The Annual General Meeting may appropriate all or part of this amount to any contingency or special reserves or to retained earnings, based on a recommendation of the Board of Directors.

If these appropriations do not absorb the total amount of distributable income, shareholders are paid a non-cumulative first dividend equal to 5% of the paid-up par value of shares.

If any funds remain after paying the first dividend, they are used to pay a second dividend.

The Annual General Meeting may decide to offer shareholders the option of receiving all or part of the dividend (or any interim dividend) in cash or in shares.

Compagnie de Saint-Gobain's bylaws are available for consultation at the company's Legal Department. Copies may be obtained from the Nanterre Commercial Court (*Greffe du Tribunal de commerce de Nanterre*).

Related party agreements

Related party agreements entered into during the year

At its meeting on March 20, 2008, the Board of Directors accepted the proposals made and the commitments given by Wendel in its letter to Compagnie de Saint-Gobain dated March 18, 2008[1]. Acceptance of these proposals and commitments represented a related party agreement within the meaning of article L.225-38 of France's Commercial Code. They were therefore submitted to and approved at the Annual General Meeting of June 5, 2008.

Related party agreements entered into after the year-end

At its meeting on February 19, 2009, the Board of Directors authorized the company to:

- Issue a counter-guarantee to a group of banks, led by BNP Paribas, that had guaranteed payment of the €896 million fine levied on the Flat Glass Division by the European Commission on November 12, 2008, plus interest at the rate of 5.25% for the period from March 9, 2009, pending the outcome of the appeal lodged with the Luxembourg Court of First Instance.
- Enter into an underwriting agreement with a group of banks led by BNP Paribas in connection with the rights issue decided the same day.

Report on the internal control and risk management system

Report of the Chairman of the Board of Directors on certain aspects of corporate governance, on Compagnie de Saint-Gobain's internal control and risk management system and on any restrictions on the Chief Executive Officer's powers.

This report has been drawn up in application of article L.225-37 of France's Commercial Code and has been approved by the Board of Directors.

Corporate governance

Under French law, the Chairman is required to report to shareholders on certain aspects of corporate governance. The required disclosures concern the composition of the Board, its organization and practices, the company's compliance with and implementation of a recognized corporate governance code, the formalities for participating in General Meetings, the principles and rules applied by the Board to determine the compensation and benefits awarded to executive Directors and any other information that could affect a takeover bid for the company.

This information is provided in the following sections of this registration document: Membership of the Board of Directors, Re-election of Directors, Board organization and practices, Committees of the Board, Corporate governance, Bylaws, Directors' compensation and benefits, Information that could affect a takeover bid for the company (pages 87 to 106), which are incorporated by reference in this report of the Chairman.

Compagnie de Saint-Gobain's internal control and risk management system

Saint-Gobain's internal control system is based on the internal control framework issued by the French securities regulator (*Autorité des Marchés Financiers* – AMF) in January 2007 and complies with the legal requirements applicable to companies listed on the Paris Stock Exchange.

Internal control is a set of resources, behaviors, procedures and initiatives tailored to each company's specific characteristics that:

- Contributes to the control of the business, the effectiveness of operations and the efficient use of resources
- Enables the company to appropriately address material operational, financial, compliance and other risks.

The internal control and risk management system is specifically designed to provide assurance concerning:

- The company's compliance with the applicable laws and regulations
- Application of senior management's instructions and guidelines
- The efficiency and effectiveness of internal operating, industrial, marketing, financial and other processes
- The protection of tangible and intangible assets and the prevention of fraud
- The reliability of financial information.

Internal control is therefore more than just a set of procedures and extends beyond accounting and financial processes.

Overall organization of the internal control and risk management system

Senior Management

Group senior management oversees implementation of the internal control system and the existence and effectiveness of appropriate internal control and risk management monitoring systems with the subsidiaries.

[1] See 2007 Annual Report, pages 14 and 15.

Internal Audit and Internal Control Committee

The Internal Audit and Internal Control Committee:

- Defines the overall architecture of the Group's internal control system
- Reviews executive summaries of the internal control self-assessment exercises
- Examines material internal control incidents, dysfunctions and frauds brought to its attention
- Draws up the annual internal audit plan and reviews the results of material internal audits
- Ensures that the necessary corrective action is taken to resolve internal control dysfunctions, weaknesses and implementation difficulties

The Committee, which met twice in 2008, is made up of:

- The Senior Vice President, Internal Audit and Internal Control
- The Corporate Secretary and the Vice President, Sustainable Development
- The Chief Financial Officer and the Vice President, Financial Management
- The Senior Vice President in charge of Human resources and International Development.

Internal Audit and Internal Control Department

On the instructions of senior management, the Internal Control unit is responsible for designing the Group's internal control system and coordinating its deployment, working with the corporate departments, the general Delegations and the Sectors. Its main responsibilities are to:

- Develop and maintain the internal control reference base
- Communicate and provide training in the internal control reference base
- Conduct the annual self-assessment process
- Analyze incidents, self-assessments and the results of audits, and propose upgrades to the internal control system
- Monitor implementation of the action plans decided following these exercises.

The Internal Audit unit is tasked with deploying a systematic and methodical approach designed to provide assurance concerning the appropriateness and effectiveness of the internal control systems and with issuing recommendations for improvement. Its main responsibilities are to:

- Check implementation of compulsory controls
- Check the quality of the self-assessments conducted by the heads of the operating units
- Audit internal control systems in order to obtain assurance concerning their compliance with the rules set by the Group and their effectiveness considering the situation of the audited unit.

The internal auditors are based at the company's head office and in the main General Delegations. Some 150 internal audits were carried out in 2008. Copies of the auditors' reports were given to senior management, and to the Sector Senior Vice Presidents and General Delegates concerned. A report is issued at the end of each audit, describing the internal auditors' observations. The audited unit is given the opportunity to respond to these observations, after which a set of recommendations is issued, together with an action plan that the audited unit is required to implement within a fixed timeframe.

An executive summary is sent to the Financial Statements Committee of the Board of Directors.

The audited units are required to report to the Internal Audit Department and Sector management every six months on the progress made in implementing the action plan until all the recommendations have been fully acted upon. When internal control weaknesses have been identified, once the time needed to implement the action plans has elapsed, the internal auditors perform a follow-up audit to assess the progress made.

The annual internal audit plan is drawn up based on risk assessments prepared jointly by the Internal Audit and Internal Control Department, the Sectors and the General Delegations. It is presented to Group senior management and the Financial Statements Committee.

The Internal Audit and Internal Control Department takes appropriate measures to deal with any suspected cases of fraud or embezzlement. An auditor specialized in fraud prevention techniques was hired in 2008.

The internal and external auditors regularly exchange information, without compromising their independence, with the aim of increasing the effectiveness of existing controls and avoiding overlaps. For example, the external auditors are given copies of all internal audit reports, and the Internal Audit and Internal Control Department receives copies of the external auditors' reports, as well as summary descriptions of their audit procedures, internal control reviews and information systems reviews.

Environment, Health and Safety Department

The Environment, Health and Safety (EHS) Department leads and coordinates Group policy in these areas. It has produced a reference manual (see below) that all site managers are required to comply with.

The EHS Department checks application of the reference manual procedures through detailed audits commissioned by the company, the General Delegations or the Sectors.

The audits are based on a 20-step audit for manufacturing units and a 12-step audit for distribution units. They are performed by staff working in the operating units – generally in the area of EHS – who have received specific training in auditing techniques.

In all cases, the audit is performed by an auditor from another Sector, ensuring that the process is doubly rigorous. All three areas are covered – environmental protection, health and safety – in an integrated process. The audit standards comply with OSHAS 18001 and ISO 14001. In 2008, 577 twelve-step audits and 259 twenty-step audits were scheduled within the Group.

To enable unit managers to quickly and easily obtain an overview of their unit's EHS performance, a self-assessment tool has been developed, comprising a detailed list of questions and a measurement scale. There are two types of self-assessment packs, one for industrial operations and the other for distribution operations, for small units (than 50 employees).

Information Systems Department

In addition to its general responsibilities with regard to information systems, the Information Systems Department is tasked with drawing up Group systems and network security policies.

Risks and Insurance Department

The Risks and Insurance Department defines Group industrial risk management policies. It issues insurance guidelines (see below) and organizes visits to key sites by external risk prevention auditors. In 2008, around 450 such visits took place. At the end of each audit, recommendations are issued to enable site managers to draw up an action plan.

In addition to helping to reduce the risk of accidents, these audits serve to align insurance coverage with potential risks by setting appropriate limits on claims.

Since January 1, 2004, property and casualty risks at the manufacturing and distribution units, except in Brazil, are insured by a wholly-owned captive insurance company, with a cap of €12.5 million per claim.

The use of a captive insurance company facilitates risk prevention decisions.

The subsidiaries' property & casualty and liability insurance programs are managed by the Risk and Insurance Department either directly or indirectly through the General Delegations.

Treasury and Financing Department

The Treasury and Financing Department defines financing policies for the entire Group (Compagnie de Saint-Gobain, the General Delegations and the subsidiaries).

Cash management transactions are subject to periodic controls and the Treasury and Financing Department is audited twice a year. The audit covers financial market transactions for the previous six months, including positions that have been settled as of the period-end, and focuses on their content and any associated risks. In addition, each year the external auditors perform procedures on the accounting recognition of cash management transactions as part of their audit of the accounts.

New information systems are audited when they come on-stream or subsequently. Systems in production are reviewed each year by the external auditors to assess their level of internal security.

The Internal Audit Department performs periodic reviews, on a rotating basis, of transactions by the General Delegations' cash management units, to check their compliance with Treasury and Financing Department policies and the quality of internal control.

Internal controls over cash management transactions are an integral part of internal audit plans for the subsidiaries, and are also examined by the subsidiaries' external auditors.

At Group level, the cash position is monitored at monthly intervals based on detailed analyses of gross and net debt by currency, type of interest rate and maturity, before and after hedging. Due to Compagnie de Saint-Gobain's central role in the Group's financing, its debt structure is monitored through a specific monthly reporting system.

Financial Control Department

Capital expenditure, acquisition, divestment and merger projects and capital transactions prepared by the Sectors are submitted to the Financial Control Department for validation, following a detailed analysis of their financial impacts. The validation process also includes consulting the corporate departments and the General Delegation concerned about the project's legal, tax and employment aspects. The financial controllers' analyses are submitted by the Finance Department with the authorization request to Group senior management for a decision.

Compagnie de Saint-Gobain's internal control and risk management procedures

Compagnie de Saint-Gobain has developed numerous internal control and risk management procedures for its own needs and those of its subsidiaries. Key procedures are as follows:

Self-assessment questionnaire

In 2005, a self-assessment questionnaire was developed covering the following processes: Saint-Gobain Group Principles of Behavior and Action, financial management, treasury and financing, insurance, accounting, legal affairs, tax, information systems, human resources, environment, health and safety, industrial risks, sales, marketing, Research and Development, procurement, supply chain management and production.

The questionnaire was rolled out to the Group entities in successive phases in 2006 and 2007 for the first exercise, and 2008 for the second. The 2008 questionnaire comprised 300 questions and included the recommendations contained in the accounting and financial internal control implementation guidance issued with the internal control framework published by the *Autorité des Marchés Financiers* in January 2007.

Some 700 operating units were asked to assess their level of internal control in each of the areas covered by the questionnaire. They were then called upon to develop and implement action plans to address the internal control weaknesses identified during the self-assessment process.

A specific computer application was developed to allow the Group to track execution of the self-assessments and the resulting action plans.

Implementation of the procedure was overseen by the Sectors and General Delegations, which presented regular progress reports to the Group's Executive Committee.

Internal control reference base

The internal control reference base describes the Group's internal control system and presents, in a manual, all the mandatory controls to be implemented by all subsidiaries. It was produced in 2008 and will be rolled out to Group entities in 2009.

The internal control manual is organized around 17 areas covering substantially all transactions carried out at all levels of the Group.

The managers responsible for each area are tasked with identifying the main risks associated with the area's processes and determining the main control procedures required to avoid or limit these risks.

The controls described in the manual must be incorporated in each entity's internal procedures.

Group financial, administrative and management procedures

The Doctrine Department is responsible for preparing all financial, administrative and management procedures applicable to Group companies. Together, they compose a body of rules, methods and procedures enshrined in some 200 documents accessible on the Group's intranet, that can be used by the individual entities as a basis for developing their own internal procedures. The rules, methods and procedures are organized in four chapters, Group Organization & Procedures, Financial Reporting, News & Meeting Reports, and Issues Specific to France.

Doctrine briefs are prepared by the corporate departments concerned, and are then approved by the Doctrine Committee made up of the Sector and General Delegation Finance Directors and the Vice Presidents in charge of the corporate departments.

In 2008, over 60 doctrine briefs were added, updated or modified.

In addition to the production of doctrine briefs, in 2008 priority was given to:

- Communication (to push information to the units), through:
  - Information meetings
  - Reviews of existing training courses and introduction of new ones
  - Creation of a quarterly doctrine newsletter, sent by e-mail to some 800 finance staff throughout the Group
  - Production of helpful materials, such as guides and checklists, fold-out chart of accounts, etc.
- Leading the accounting function in France.

Lastly, work continued on the Doctrine intranet, to enhance content and make it more user-friendly.

Environment, Health and Safety (EHS) reference manual

The EHS reference manual describes the approach to be followed by all units to meet the Group's overall objectives in terms of environmental protection and the prevention of workplace accidents and occupational diseases. The approach is organized around the core processes of identifying risks, implementing preventive action and assessing and monitoring the system's effectiveness.

The EHS reference manual is accessible on the Group intranet and is distributed to all sites. The Building Distribution Sector has adapted the manual to reflect the specific characteristics of this business.

The EHS Department and its network of correspondents have also drawn up EHS standards describing the methods to be applied to resolve specific environmental, health and safety issues. Implementation guides, procedures, training packs and computer applications have been developed to support application of the standards. These tools help to ensure that risks are measured and controlled according to the same preventive base at all Group units, whatever the country and the local laws and regulations.

NOS (NOise Standard) is a standard for identifying, assessing and managing potential exposure to noise in the workplace. Developed in 2004, it was rolled out to the entire Group in 2005, including units outside Europe.

TAS (Toxic Agents Standard) serves to identify, assess and manage potential exposure to toxic agents in the workplace. A trial version of the standard was launched in 2005 in the form of a guide to using crystalline silica, which is now being applied. The TAS framework document dated November 29, 2006 describes the background to the TAS, its objectives and how its application guides and dedicated tools should be used. Since the pilot crystalline silica project, three new TAS application guides have been published concerning: construction, renovation and maintenance of melting furnaces, the handling of nanomaterials at the Research and Development centers (updated in 2008) and the use of fibrous materials.

The standard dealing with the implementation of a broad-based approach to assessing industrial risks covers the identification, measurement and prioritization of potential health and safety risks at Group sites, in order to set priorities and develop action plans for reducing and controlling those risks.

The accident analysis standard defines the required characteristics of any methods used by the Group to analyze the causes of accidents.

Lastly, in 2008, four safety standards were prepared dealing with work at height, the management of outside contractors working on-site, permits to work and lockout/tagout procedures. These standards have been deployed since January 2009.

Information systems security

The Information Systems Department has compiled a set of rules and best practices concerning information systems and networks, comprising general principles and technical standards that are updated from time to time to keep pace with technological advances.

The department leads and coordinates twice-yearly self-assessment exercises in these areas, supported by a reporting system that provides a basis for measuring the advances made by the various units and initiating any necessary action. The self-assessment covers the 130 control points provided for in ISO 27002. The 2008 exercise covered 713 units. The self-assessment is also used to fill out the Information Systems section of the general internal control questionnaire, thereby ensuring that action plans are fully aligned.

Organization of internal control and risk management processes related to the preparation and processing of financing and accounting information for shareholders

Parent company financial statements

The Accounting Department is responsible for producing financial information for shareholders, partners and other third parties in accordance with French legal requirements.

This information is prepared in accordance with generally accepted accounting principles, including the going concern principle, the principles of consistent application of accounting policies, alignment of the opening balance sheet with the prior period closing balance sheet, recognition of expenses in the same period as the revenue to which they relate, segregation of accounting periods and substance over form.

Accounting organization

The accounting organization is based on the rules, methods and procedures set out in the Group's doctrine briefs. It facilitates the monthly reconciliation and substantiation of the accounts and the creation of an audit trail. It is also geared to anticipating material events, in order to apply the most appropriate accounting treatment in each case and, where possible, detecting potential problems before they occur.

The chart of accounts is aligned with the company's needs in terms of transaction classifications and complies with the materiality principle. It is linked to the Group's financial information system.

Internal control

In addition to performing controls over compliance with payment procedures and the double signature rule for secure payment media, the Accounting Department contributes to internal control through a cost accounting system that tracks expenses by cost center. Cost center managers receive monthly schedules listing the expenses incurred under their signature, allowing them to check these expenses and also to compare actual and year-to-date expenses with the budget.

A summary of these cost accounting reports is sent to the Finance Department and Group senior management at the end of each month.

Consolidated financial statements

The consolidated financial statements are prepared by the Consolidation and Group Reporting Department. This department is responsible for updating consolidation procedures, training and integrating subsidiaries in the scope of consolidation, processing information, and maintaining and developing consolidation systems for the Group and all the Sectors.

Consolidation standards

The consolidated financial statements of Compagnie de Saint-Gobain and its subsidiaries are prepared in accordance with the IFRSs adopted by the European Union at December 31, 2008.

The Consolidation Department is responsible for providing information and training to subsidiaries through the Sectors and General Delegations, using the consolidation manual, the intranet site and an online training application in French and English. Consolidation instructions are issued for each closing, describing the changes compared with the previous period-end and enhancements to reporting systems, standards and procedures.

In 2008, the Group continued its IFRS training program and integrated newly-acquired subsidiaries in the financial information system, making certain changes to the Group chart of accounts. The reporting structure was streamlined and the consolidated manual was comprehensively revised to include the latest changes in IFRSs and in the Group's consolidation systems.

Organization of the consolidation process

The Group has consolidation teams at the level of each direct subgroup and indirect subgroup. These teams report to the head of their Sector or General Delegation and have a dotted-line reporting relationship with the Consolidation and Group Reporting Department. This organization, which is based on the Group's organization by business (Sectors) and by region (General Delegations), is designed to guarantee the reliability of the consolidated financial statements while also ensuring that information is processed and overseen at a level as close as possible to operations staff.

Processing and control of accounting information

Each subsidiary submits its consolidation package in accordance with the timeline set by the Group. The packages are checked and processed at Sector level, reviewed by the General Delegation concerned, then transmitted to the Consolidation Department which performs an overall review of the Group accounts and records the necessary consolidation adjustments. These consolidated accounts are submitted to Group senior management every month.

The consolidated financial statements are examined by the auditors in accordance with professional auditing standards. The subsidiaries' financial statements are audited by local auditors, who apply local auditing standards and tailor their procedures to the size of the audited unit.

Consolidation systems

The consolidated financial statements are prepared using consolidation software equipped with a powerful and efficient database that is aligned with the Group's matrix management structure.

The software is capable of managing a database with several levels of consolidation and to transparently centralize data in the database.

It feeds data into a reporting system for Group senior management and the management of the Sectors and General Delegations, contributing to internal control of information output.

The reporting process contributes to financial statement reliability

The reporting process contributes to the reliability of the annual and interim consolidated financial statements. Hard closes are performed at May 31 and October 31, to reduce the workload at June 30 and December 31. Hard close results and balance sheets are reviewed by finance executives from the Finance Department, the Sectors and the General Delegations in the same detail and in accordance with the same principles as the annual and interim financial statements. Their review also covers projected actual results to June 30 and December 31. The hard close is also reviewed by the auditors. This procedure helps to ensure early detection of any errors and their adjustment during the actual close.

Since 2006, forecasts have been adjusted at quarterly intervals to reflect differences in actual year-to-date results compared with the budget. This cross-checking by head office teams, the Sectors and the General Delegations represents a key element of the Group's system of internal control over financial and accounting information for shareholders.

Each month, a consolidated report supported by discussions and analyses of material events and issues of the period is prepared for Group senior management.

Restrictions on the Chief Executive Officer's powers

The Chief Executive Officer was appointed by the Board of Directors on June 7, 2007. He has the powers vested in him by law. There are no restrictions on his powers in the bylaws or imposed by the Board.

Statutory Auditors' report

Prepared in accordance with Article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of Compagnie de Saint-Gobain
Year ended December 31, 2008

To the Shareholders,

In our capacity as Statutory Auditors of Compagnie de Saint-Gobain, and in accordance with article L.225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your company, in accordance with article L.225-37 of the French Commercial Code for the year ended December 31, 2008.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by article L.225-37 of the French Commercial Code, in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the report sets out the other information required by article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report.

These procedures mainly consisted of:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board of Director's report, prepared in accordance with article L.225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by article L.225-37 of the French Commercial Code.

Neuilly-sur-Seine and Paris La Défense, March 19, 2009

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG-Audit
Division of KPMG S.A.

Pierre Coll   Rémi Didier   Jean Gatinaud   Jean-Paul Vellutini

This is a free translation into English of the Statutory Auditors' 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.

Statutory Auditors' special report on regulated agreements and commitments
Year ended December 31, 2008

To the Shareholders,

In our capacity as Statutory Auditors of Compagnie de Saint-Gobain, we hereby report to you on regulated agreements and commitments.

Agreements and commitments authorized during 2008 and up to the Board of Directors' meeting of March 19, 2009

In accordance with article L.225-40 of the French Commercial Code (*Code de commerce*), we were informed of the agreements and commitments approved by your Board of Directors.

Our responsibility does not include identifying any undisclosed agreements or commitments. We are required to report to shareholders, based on the information provided, about the main terms and conditions of agreements and commitments that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of article R.225-31 of the French Commercial Code, it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Underwriting agreement with BNP Paribas in connection with the Compagnie de Saint-Gobain rights issue
Directors: Jean-Louis Beffa and Michel Pébereau

At its meeting on February 19, 2009, the Board of Directors authorized the signature by Compagnie de Saint-Gobain with a group of banks, including BNP Paribas, of an underwriting agreement in connection with the rights issue decided the same day.

This agreement had no impact the 2008 financial statements.

Bank bond and counter-guarantee for the payment of the fine imposed by the European Commission on the automotive glass industry
Directors: Jean-Louis Beffa and Michel Pébereau

At its meeting on February 19, 2009, your Board of Directors authorized:

- the signature of an agreement with a group of banks, including BNP Paribas, for the issue of a bank bond guaranteeing payment of the €896 million fine levied on the automotive glass industry by the European Commission on November 12, 2008, plus interest at the rate of 5.25% for the period from March 9, 2009, pending the outcome of the appeal lodged with the Luxembourg Court of First Instance.
- the issue of a counter-guarantee to the group of banks, including BNP Paribas.

BNP Paribas did not receive any fees for the bank bond in 2008, as it came into effect on March 9, 2009.

Agreements and commitments authorized in prior years that remained in force during the year.

Pursuant to the French Commercial Code, we were informed that the following agreements and commitments authorized in prior years remained in force during the past year.

Defined benefit pension schemes for corporate officers
Directors: Jean-Louis Beffa and Pierre-André de Chalendar

In accordance with the Act of August 21, 2007, which required the alignment with the Act's provisions of defined benefit pension commitments towards corporate officers outstanding at the date when the Act came into effect, during its meeting of March 20, 2008, the Board of Directors authorized the agreements related to pension benefits entered into prior to August 21, 2007 with Jean-Louis Beffa, Chairman of the Board of Directors, and Pierre-André de Chalendar, Chief Executive Officer, which specify the years of service and compensation used as the basis for calculating their benefits. These agreements were approved by the Shareholders' Meeting of June 5, 2008.

These agreements did not apply in 2008.

Commitment concerning the payment of compensation and termination benefits in the case of termination of Pierre-André de Chalendar's duties as Chief Executive Officer
Director: Pierre-André de Chalendar

In application of the Acts of July 26, 2005 and August 21, 2007, at its meeting on March 20, 2008, the Board of Directors approved the recommendation of the Appointments Committee and gave a commitment to pay a termination benefit to Pierre-André de Chalendar, Chief Executive Officer, in the event that his appointment is not renewed or he is removed from office other than as a result of serious professional misconduct. This commitment was approved by the Shareholders' Meeting of June 5, 2008.

The Board specified the fixed compensation and the variable bonus that would be used to calculate the termination benefit, the performance conditions to be met to qualify for the benefit, as well as the conditions under which Pierre-André de Chalendar would retain his entitlement to pension benefits and to Saint-Gobain stock options. If the said termination benefit were to be paid, Pierre-André de Chalendar would not be entitled to any other termination benefit under his employment contract that was suspended when he was appointed Chief Operating Officer on May 3, 2005.

This commitment did not apply in 2008.

Proposals made and undertakings given by Wendel, shareholder of Compagnie de Saint Gobain
Shareholder: Wendel

At its meeting on March 20, 2008, the Board of Directors accepted the proposals made and the undertakings given by Wendel in its letter to Compagnie de Saint-Gobain dated March 18, 2008, which mainly related to corporate governance, voting rights and changes in Wendel's interest in the company's capital. These proposals and undertakings were approved by the Shareholders' Meeting of June 5, 2008.

Agreements with BNP Paribas concerning the financing of the takeover bid for British Plaster Board plc
Directors: Jean-Louis Beffa and Michel Pébereau

Under the terms of six agreements with BNP Paribas that were authorized by the Board of Directors on July 21, 2005, in 2008 Compagnie de Saint-Gobain paid commitment and agent fees of €0.4 million to BNP Paribas, including the fees transferred by BNP Paribas to the other members of the banking syndicate.

We performed our procedures in accordance with professional standards applicable in France. These standards require that we perform procedures to verify that the information given to us agrees with the underlying documents.

Neuilly-sur-Seine and Paris La Défense, March 19, 2009

The Statutory Auditors

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

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments 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.

Risk factors

Macroeconomic and industry risks

Since 2008, global economic conditions have deteriorated considerably, due to the subprime crisis and subsequent credit crunch, which affected the entire banking and financial sector, volatile exchange rates and energy prices, economic slowdowns and even recessions, a loss of consumer confidence, and lower corporate earnings and capital expenditure. Financial markets throughout the world were very badly hit, leading to an unprecedented lack of liquidity in the global financial system.

Most of the Group's markets are cyclical in nature. Some of the Group's main markets bore the brunt of the current environment, particularly the building and automobile industries, which experienced falling volumes and heavy pricing pressure. To make matters worse, these markets were also affected by highly volatile feedstock and energy prices, and erratic exchange rates. The Group derives a significant portion of revenues from the building market, which is highly sensitive to national, regional and local economic trends. The building and real estate markets in the United States are among the leading victims of the current crisis.

A further deterioration in the global economic environment and in financial market conditions could have a material adverse effect on the Group's sales, results, cash flow and outlook.

Operational risks

Risks associated with the Group's international operations

With over two-thirds of revenues generated outside France, the Group is exposed to the inherent risks of doing business internationally, including economic, political and operational risks. These risks could have a negative effect on the Group's business, results and financial position. Future changes in the political, legal or regulatory environment could have an adverse effect on the Group's assets, its ability to do business and its profitability in the countries concerned. The Group's businesses are exposed to various operational risks that could lead to operations being interrupted, or to the loss of customers or to financial losses.

In 2008, 17% of consolidated sales were realized in emerging markets and Asia, where risks arising from falling GDP, exchange controls, changes in exchange rates, inflation and political instability may be greater than in developed countries.

Innovation risks

The emergence of new technologies is driving rapid change in some Group markets.

The Group has to keep pace with these changes and integrate the new technologies in its product offer, in order to respond effectively to customers' needs. This requires spending on Research and Development, with no guaranteed return on investment. The Group's sales and operating margin may be affected if it fails to invest in appropriate technologies or to rapidly bring new products to market, or if competing products are introduced or the Group's new products do not adequately respond to customers' needs.

Intellectual property risks

The Group uses manufacturing secrets, patents, trademarks and models and relies on applicable laws and regulations to protect its intellectual property rights. If the Group failed or was unable to protect, preserve and use its intellectual property rights, this could result in the loss of its exclusive right to use technologies and processes, with a material adverse effect on earnings. In addition, the laws in some of the Group's host countries may not protect intellectual property rights to the same degree as in other countries such as France and the United States. The Group may take legal action against third parties suspected of breaching its rights. Any such lawsuits may give rise to significant costs and hamper growth in sales of the products manufactured using the rights concerned.

Risk of being unable to raise prices to reflect higher costs

The Group's businesses may be affected by fluctuations in the prices and availability of feedstocks and/or energy (such as natural gas). Its ability to pass on these cost increases or decreases to customers depends to a large extent on market conditions and practices. If the Group's ability to pass on increases in feedstock and/or energy costs were limited, this could have a material adverse effect on its financial position and results.

Risks associated with the integration of acquisitions

Historically, the Group has grown through acquisitions. The benefits of acquisitions depend in part on the realization of cost synergies and the seamless integration of the acquired businesses. There is no guarantee that these objectives will be met.

Restructuring risks

The Group has launched various cost-cutting and restructuring initiatives. In all, the program delivered some €400 million in savings in 2008, for restructuring costs of €190 million. While further savings are planned, there is no guarantee that the forecast reductions will be achieved or that the related restructuring costs will not be more than originally budgeted. In particular, certain restructuring operations and other initiatives may cost more than expected, or the cost savings may be less than expected or take longer than expected to achieve.

An increase in restructuring costs and/or the inability of the Group to achieve the expected savings could have a material adverse effect on the Group's outlook and results.

Market risks (liquidity, interest rate, currency, energy and credit risks)

Liquidity risk on financing

Although two bond issues have been successfully placed in the European market since September 2008, in the current environment the Group may be unable to raise the financing or refinancing needed to cover its investment plans on the credit market or the capital market, or to obtain such financing or refinancing on acceptable terms. There is no guarantee that the company's credit rating will remain at the current level.

The liquidity risk on the Group's total net debt is managed by the Treasury and Financing Department. Group companies generally manage their long-term financing needs by borrowing from Compagnie de Saint-Gobain or the national delegations' cash pools. Likewise, their short-term financing needs are generally met by the company or the local cash pools.

Liquidity risk is managed with the main objective of guaranteeing replacement of the Group's existing facilities while at the same time optimizing annual borrowing costs. For this reason, long-term debt consistently represents a significant proportion of total net debt, while repayment profiles are designed to ensure that new debt issues are spread over several years.

The Group raises most of its long-term financing on the bond market. However, it also uses its medium-term notes program, perpetual bonds, participating securities, bank loans and lease financing.

Short-term financing consists of *Billets de Trésorerie*, Euro Commercial Paper, US Commercial Paper, receivables securitizations and bank loans. Financial assets comprise marketable securities and cash.

The US Commercial Paper, Euro Commercial Paper and *Billets de Trésorerie* short-term programs are backed by bilateral and syndicated confirmed lines of credit.

Details of consolidated debt, by type and by maturity, are provided in Note 18 to the consolidated financial statements, along with a description of the Group's main financing programs and confirmed lines of credit (amounts, currencies, covenants).

The Group's long-term debt has been rated BBB+ by Standard & Poor's since October 5, 2005. The outlook was downgraded from stable to negative on October 28, 2008 and the rating and outlook were reaffirmed on February 20, 2009 following the release of the Group's 2008 results and announcement of the rights issue.

The Group's long-term debt has been rated Baa1 by Moody's since November 22, 2005. The outlook was downgraded from stable to negative on October 31, 2008 and the rating and outlook were reaffirmed on February 20, 2009 following the release of the Group's 2008 results and announcement of the rights issue.

Liquidity risk on investments

Available cash is systematically invested in short-term bank deposits, money market funds and/or bond funds, to limit the Group's exposure to liquidity and volatility risk.

Interest rate risks

The Treasury and Financing Department manages the Group's aggregate exposure to interest rate risk on net debt using the structures and mechanisms described in the section on "Liquidity risk on financing" above. Subsidiaries hedge interest rate risks exclusively with Compagnie de Saint-Gobain, the Group's parent company.

The main objective of interest rate management strategies is to fix borrowing costs on medium-term debt while at the same time optimizing annual borrowing costs. The hedging instruments used include interest rate swaps, caps, floors and swaptions and future rate agreements (FRAs).

Based on the amount and interest rate profile of consolidated net debt at the balance sheet date, after hedging, a 50 bps increase in interest rates would have the effect of increasing equity by €22 million and reducing net income by €12 million.

Currency risk

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

The Group's currency risk management policy consists of hedging commercial transactions carried out by subsidiaries in currencies other than their functional currency. Compagnie de Saint-Gobain and its subsidiaries may use currency options and forward contracts to hedge exposures arising from existing or forecast commercial transactions. The subsidiaries enter into currency option contracts solely with Compagnie de Saint-Gobain, the Group's parent company, which then hedges the risk on the market.

Most forward contracts have short maturities, of around three months. However, hedges of orders may have maturities of up to 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 currency risks. Saint-Gobain Compensation hedges these risks solely through the use of forward contracts. The system enables participating companies to hedge their commercial positions as soon as the exposure arises. Saint-Gobain Compensation reverses all of its positions with Compagnie de Saint-Gobain and does not therefore have any open positions.

For the other companies, hedges are set up with Compagnie de Saint-Gobain upon receipt of the orders sent by the subsidiaries, or with the local Delegation's cash pool or, failing that, with the subsidiaries' banks.

The Group's exposure to currency risks is tracked by means of a monthly reporting system incorporating the subsidiaries' currency positions. At December 31, 2008, 94% of the Group's foreign exchange position was hedged. At that date, the net exposure of subsidiaries in currencies other than their functional currency was as follows:

In millions of euro equivalents	Long	Short
EUR	8	10
USD	17	21
Other currencies	1	2
Total	**26**	**33**

The following table shows the impact on net income of a 10% increase in the exchange rates of hedging currencies:

Impact in € millions	Net gain or loss
EUR	- 0.2
USD	- 0.5

A 10% decrease in the above currencies at December 31, 2008 would have an equivalent impact in the other direction, assuming that all other variables were unchanged.

Energy and raw materials risk

The Group is exposed to the risk of changes in the price of raw materials used in its products and in energy prices. These prices have been particularly volatile in recent months and may remain so in the current financial and economic environment. The energy hedging programs may be inadequate to protect the Group against significant or unforeseen price swings that could result from the current financial and economic environment.

To reduce its exposure to energy price fluctuations, the Group hedges part of its natural gas purchases in the United States and certain European countries, as well as its fuel oil purchases in Europe, using swaps and options in the functional currencies of the entities whose exposures are hedged. The hedges are organized by steering committees made up of representatives of the Finance Department, the Purchasing Department (Saint-Gobain Achats) and the General Delegations concerned.

Hedges of gas and fuel oil purchases, other than fixed price purchases negotiated directly by the Purchasing Department, are set up by the Treasury and Financing Department, on the instructions of Saint-Gobain Achats.

There is no hedging policy managed at Group level by a steering committee for other energy sources and other regions not mentioned above, because:

- Volumes are not material, or
- In the regions concerned, there is no international index used by local players, with the result that it is necessary to use as a reference either administered prices or strictly national indices.

In both of these cases, energy risks are managed by local buyers, mainly through fixed price purchases.

From time to time, the Group may hedge certain raw materials purchases according to the same principles as for gas and fuel oil purchases.

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

Counterparty risk

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

For all transactions exposing Compagnie de Saint-Gobain to a credit risk, the Treasury and Financing Department deals solely with financial counterparties rated A- or higher by Standard & Poor's and A3 or higher by Moody's (long-term), in both cases with a stable outlook. It also takes care to avoid any excessive concentration of credit risks. However, recent events have shown that counterparty risks can escalate rapidly and that a high credit rating is no guarantee that an institution will not experience a rapid deterioration of its financial position.

The currency and energy hedging instruments used by the Group and the interest rates paid on the Group's main borrowings are presented in Note 19 to the consolidated financial statements. This note also presents an analysis of net debt by currency and by type of interest rate (fixed or variable), along with details of interest repricing schedules.

Customer credit risk

The Group's exposure to customer credit risk is limited due to its wide range of businesses, global presence and very large customer base. Past-due receivables are regularly analyzed and provisions are booked whenever necessary. Nevertheless, the current economic situation may lead to an increase in customer credit risk.

Consumer credit risk

The Group's exposure to consumer credit risk is limited due to its wide range of businesses, global presence and very large consumer base. Past-due receivables are regularly analyzed and provisions are booked whenever necessary. Nevertheless, the current economic situation may lead to an increase in consumer credit risk.

Employee benefit plan risks

The Group has set up pension and other post-employment benefit plans, mainly in France, Germany, the Netherlands, the United Kingdom and the United States. Most of these plans are closed to new entrants. The funded status of these plans may be affected by unfavorable changes in the actuarial assumptions used to calculate the projected benefit obligation, such as a reduction in discount rates, an increase in life expectancy or higher inflation, or by a fall in the market values of plan assets, consisting mainly of equities and bonds. At December 31, 2008, the total projected benefit obligation was €6.8 billion. The fair value of plan assets at that date was €5 billion, down by a sharp €1.4 billion from the previous year-end.

Risk of impairment of property, plant and equipment and intangible assets

Brands (€2,513 million) and goodwill (€10,671 million) represent around 25% of total consolidated assets. In line with Group accounting policy, goodwill and certain other intangible assets with an indefinite life are tested for impairment periodically and whenever there is an indication that their carrying amount may not be fully recoverable. Goodwill and other identified intangible assets may become impaired as a result of worse-than-expected performance by the Group, unfavorable market conditions, unfavorable legal or regulatory changes or many other factors. The recognition of impairment losses on goodwill could have an adverse effect on consolidated net income.

Property, plant and equipment (€13,374 million) represent roughly 31% of total assets and may become impaired in the case of below-capacity production output.

Industrial and environmental risks

The Group may be exposed to capital costs and environmental liabilities as a result of its past, present or future operations.

The main industrial and environmental risks result from the storage of hazardous substances at certain sites. Seven of the Group's plants are considered as representing "major technological risks" under European and North American regulations, and are subject to specific legislation and close supervision by the relevant authorities.

In 2008, six Saint-Gobain plants in Europe were considered classified installations under the EU Seveso II Directive. Three of these are classified as "lower tier" under the directive: Conflans Sainte-Honorine (Abrasives) in France, which stores phenolic resin; Neuburg (Packaging) in Germany, which stores liquefied petroleum gas (LPG); and Avilès (Flat Glass) in Spain, which stores propane (C_3H_8) and oxygen (O_2).

The other three are classified as "upper tier": Bagneaux-sur-Loing (Flat Glass) in France, which stores arsenic (AS_2O_3); Hyvinkää (Insulation) in Finland, which stores phenol (C_6H_6O) and formaldehyde (CH_2O); and Carrascal del Rio (Flat Glass) in Spain, which stores hydrofluoric acid (HF), amongst other substances.

In application of France's Act of July 30, 2003 on the prevention of technological and natural risks and the remediation of contaminated sites, specific risk prevention and safety policies have been implemented at all sites, with particular emphasis on "upper tier" Seveso sites. After accident risks and their potential impact on the environment were identified, preventive measures were implemented, covering the design and construction of storage areas, as well as the manner in which they are used and maintained. Internal contingency plans have been developed to respond to incidents.
Liability for personal injury and damage to property arising from the operation of the plants is covered by the current insurance program, except for the Bagneaux-sur-Loing plant, which is insured under a specific policy taken out by the joint venture that operates the facility. In the event of a technological accident, compensation payments to victims would be organized jointly by the joint venture, the insurance broker and the insurer.

In the United States, the Lake Charles plant in Louisiana is covered by the EPA's Risk Management Program Rule (RMP Rule) and the Emergency Planning and Community Right to Know Act (EPCRA), due to its use of vinyl chloride in the manufacture of PVC pellets that are the raw material for some of the construction materials sold by CertainTeed, such as siding, windows and fence, railing and deck products.
The Building Distribution sales outlets, the Group's smaller production units and plants that do not give rise to any material risks (for example, certain units where building-related Flat Glass products are made) have a limited impact on the environment, generally involving only neighborhood issues. As explained in the description of the reporting system, these sites are not included in the scope of the EHS environmental reporting system.

Legal risks

The Group is not subject to any specific regulations that could have an impact on its financial position, although its manufacturing subsidiaries are generally required to comply with specific national laws and regulations that vary from country to country. In France, for example, Group plants are subject to the laws and regulations applicable to classified sites. The Group is not dependent on any other companies for its technical or commercial operations, is not subject to particular confidentiality restrictions and has full access to the assets required to operate its business.

The regulations applicable to the Group may change in a manner that may be favorable or unfavorable. The introduction of stricter regulations or more diligent application of existing regulations may, in some cases, open up new growth opportunities for the Group, but may also change the way the Group conducts its business, possibly leading to an increase in operating expenses or restrictions on the scope of the business or, more generally, acting as a brake on business growth.

Compagnie de Saint-Gobain has elected to be taxed under the group relief scheme provided for in articles 223 A *et seq*. of France's General Tax Code. The Group did not request the renewal of its entitlement to income tax assessment on the basis of its consolidated taxable income, and this regime consequently lapsed on December 31, 2006.

The Group's main legal risks concern asbestos-related litigation in France and, above all, the United States, and competition issues.

There can be no guarantee that there will be no unforeseen or significant regulatory changes in the future with a material adverse effect on the Group's business, financial position or results.

Asbestos-related litigation in France

In France, between 1996 and the end of 2008, 676 lawsuits based on "inexcusable fault" were filed for asbestos-related occupational diseases against Everite and Saint-Gobain PAM, which in the past manufactured fiber-cement products.
At December 31, 2008, 567 of these 676 lawsuits had been completed in terms of both liability and quantum. In addition, as of December 31, 2008, 110 suits based on inexcusable fault had been filed by current or former employees of 12 other French companies in the Group (excluding Saint-Gobain Desjonquères and Saint-Gobain Vetrotex, which have been sold), in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces. At end-2008, compensation due by Everite and Saint-Gobain PAM amounted to a total of €2 million.

Further details of these claims are provided in Note 26 to the consolidated financial statements.

Asbestos-related litigation in the United States

In the United States, several companies that once manufactured products containing asbestos such as asbestos-cement pipes, roofing products, specialized insulation or gaskets, are facing legal action from persons other than their employees or former employees.
The claims are based on alleged exposure to the products, although in many instances the claimants cannot demonstrate any specific exposure to one or more products,

or any specific illness or physical disability. The vast majority of these claims are made simultaneously against many other non-Group entities that have been manufacturers, distributors, installers or users of products containing asbestos.

Developments in 2008

After three years marked by high numbers of claims filed against CertainTeed (60,000 in 2001, 67,000 in 2002, and 62,000 in 2003, compared with 19,000 in 2000), new claims filed fell to 18,000 in 2004, and subsequently dropped to 17,000 in 2005, to 7,000 in 2006, to 6,000 in 2007 and to about 5,000 in 2008. This decline was felt over the last four years in most States, particularly in those that had seen the greatest numbers of claims in the previous years. It reflects State court rulings as well as changes in local legislation in various States to introduce stricter medical criteria for new claims.

Almost all of the claims against CertainTeed are settled out of court. Approximately 8,000 of the pending claims were resolved in 2008, compared with 54,000 in 2003, 20,000 in 2004 and in 2005, 12,000 in 2006 and 8,000 in 2007. In addition, approximately 3,000 claims (mainly in New York) were transferred to "inactive dockets" further to court rulings. Taking into account the 74,000 outstanding claims at the end of 2007 and the new claims having arisen during the year, as well as claims settled or placed in inactive docket, some 68,000 claims were outstanding at December 31, 2008. A large number of these pending claims were filed more than five years ago by individuals without any significant asbestos-related impairment, and it is likely that many of them ultimately will be dismissed.

Impact on the Group's accounts

The Group recorded a €75 million charge in 2008 to cover future developments in relation to claims involving CertainTeed. This amount is slightly lower than the €90 million recorded in 2007, the €95 million recorded in 2006, the €100 million recorded in 2005, the €108 million recorded in 2004, and the €100 million recorded in both 2002 and 2003. At December 31, 2008, the Group reserve for asbestos-related claims against CertainTeed in the United States amounted to €361 million, (USD 502 million), compared with €321 million (USD 473 million) at December 31, 2007 and €342 million (USD 451 million) at December 31, 2006.

Cash flow impact

Compensation paid in respect of these claims against CertainTeed, including claims settled in prior years but only paid out in 2008, and those fully resolved and paid during the year, and compensation paid (net of insurance) in 2008 by other Group businesses in connection with asbestos-related litigation, amounted to €48 million (USD 71 million), compared to €53 million (USD 73 million) in 2007, and €67 million (USD 84 million) in 2006

Outlook for 2009

No significant developments have been observed during the past few months, in terms of either new claims or compensation paid.

*

In Brazil, former Group employees suffering from asbestos-related occupational illness are offered either exclusively financial compensation or lifetime medical assistance combined with financial compensation. Only a small number of asbestos-related lawsuits were outstanding at December 31, 2008, and they do not represent a material risk for the companies concerned.

Ruling by the European Commission following the investigation into the construction glass and automotive glass industries

In November 2007 and 2008, the European Commission issued its decisions concerning, respectively, the construction glass industry and the automotive glass industry.

In the November 28, 2007 decision concerning its investigation into construction glass manufacturers, the European Commission held that Saint-Gobain Glass France had violated Article 81 of the Treaty of Rome and fined the company €133.9 million. Compagnie de Saint-Gobain was named as being jointly and severally liable for the payment of this amount. Compagnie de Saint-Gobain and Saint-Gobain Glass France decided not to appeal this decision and the fine was paid on March 3, 2008.

In the November 12, 2008 decision concerning its investigation into automotive glass manufacturers, the European Commission held that Saint-Gobain Glass France, Saint-Gobain Sekurit France and Saint-Gobain Sekurit Deutschland GmbH had violated Article 81 of the Treaty of Rome and fined them €896 million. Compagnie de Saint-Gobain was named as being jointly and severally liable for the payment of this amount.

The companies concerned believe the fine is excessive and disproportionate, and have appealed the decision before the Court of First Instance of the European Communities.

The European Commission has granted them a stay of payment until the appeal has been heard, in exchange for a bond covering the €896 million fine and the related interest, calculated at the rate of 5.25% from March 9, 2009. The necessary steps have been taken to set up this bond within the required timeframe.

As a result of these developments, the €694 million provision set aside at December 31, 2007, which was reduced to €560 million at June 30, 2008 following payment of the €134 million fine, was increased to €960 million at December 31, 2008 to cover the €896 million fine, together with the cost of the bond and the estimated legal costs over the appeal period. The additional €400 million set aside in the second half of 2008 was recorded in "Other business expense".

To the best of the company's knowledge, no other litigation or arbitration has recently had, or is likely to have, a material impact on the financial position, operations or results of Compagnie de Saint-Gobain or on the Saint-Gobain Group.

Insurance - coverage of potential risks

The Group transfers its risks to the insurance market when this is the most efficient solution. Default by one or more of the Group's insurers could lead to financial losses.

The Group implements preventive programs and purchases insurance cover to protect its assets and revenue. The policy is determined, coordinated and overseen by the Risks and Insurance Department based on conditions in the insurance market. It defines insurance criteria for the most significant risks, such as property & casualty, business interruption, and business and product liability. For other types of cover, such as automobile fleet insurance, the Risks and Insurance Department advises the individual operating units on policy content, broker selection and which market to consult. These represent high frequency risks, allowing claims to be monitored internally and appropriate preventive action to be taken.

The 2007 policies were renewed in 2008 with improved cover at lower premium rates.

The captive insurance company set up to cover property risks delivered real benefits.

Companies acquired during the year have been integrated into existing insurance programs.

Property & casualty and business interruption insurance

The Group has a worldwide insurance program covering non-excluded property & casualty risks and business interruption risks arising from accidental damage to insured assets. The program does not cover operations in Brazil which are insured under a local program under the Risks and Insurance Department's supervision.

The programs meet the insurance criteria laid down by the Risks and Insurance Department:

- All policies are "all risks" policies with named exclusions.
- Claims ceilings are based on worst-case scenarios where safety systems operate effectively.
- Deductibles are proportionate to the size of the site concerned and cannot be qualified as self-insurance.

These criteria take into account current insurance offerings, which exclude certain risks, such as computer viruses and their impact on operations, and cover natural disasters like floods or storms only up to a certain amount. In extreme scenarios, such events could have a substantial uninsured financial impact in terms of both reconstruction costs and lost production costs.

The Risks and Insurance Department's policy is based on the findings of the annual audits carried out by prevention experts recognized by the Group's insurers. These audits give a clear picture of the main sites' risk exposure in the event of a fire or other incident and provide an estimate of the financial consequences in a worst-case scenario.

Individual claims in excess of €12.5 million are transferred to the insurance market. Claims representing less than this amount are self-insured through the Group's captive insurance company, which purchases reinsurance cover against increases in frequency or severity rates.

Liability insurance

Two programs provide coverage for third-party personal injury and property damage claims.

The first covers all subsidiaries except those located in the geographic area covered by the United States & Canada Delegation. In order to satisfy local regulatory requirements, a policy is taken out in each country in which the Group has a significant presence. Local policies are backed up by first line insurance issued in Paris, which can be activated when local cover proves inadequate.

Altogether, the level of coverage is considered as compatible with the Group's business. The program's exclusions are consistent with market practice and concern in particular potentially carcinogenic substances and gradual pollution.

The second program covers subsidiaries located in the geographic area covered by the United States & Canada Delegation. This program is structured differently to deal with the specific nature of liability risks in the United States. It is divided into several lines of coverage, allowing it to be placed on insurance markets in both London and Bermuda.

The level of coverage is considered as compatible with the Group's US operations. Exclusions are in line with current market practice in the United States and primarily concern contractual liability and third party consequential loss.

Within the operating units, action is taken to raise awareness of liability risks. In the case of a claim, the deductible is paid directly by the unit concerned, representing an added incentive to contain these risks. Deductibles do not, however, constitute self-insurance. Saint-Gobain also runs a risk prevention program at its operating units with the support of the Environment, Health and Safety Department.

Exceptions

Joint ventures and companies not controlled by the Group are excluded from the above programs. These entities purchase separate insurance coverage, based on the advice of the Risks and Insurance Department.

Consolidated financial statements

Consolidated balance sheet

at 31 December

ASSETS (in € millions)	Notes	2008	2007	2006
Goodwill	(3)	10,671	9,240	9,327
Other intangible assets	(4)	2,868	3,125	3,202
Property, plant and equipment	(5)	13,374	12,753	12,769
Investments in associates	(6)	116	123	238
Deferred tax assets	(14)	507	328	348
Other non-current assets	(7)	490	472	390
Non-current assets		**28,026**	**26,041**	**26,274**
Inventories	(8)	6,113	5,833	5,629
Trade accounts receivable	(9)	5,647	6,211	6,301
Current tax receivable		248	173	66
Other receivables	(9)	1,424	1,481	1,390
Assets held for sale	(2)	0	105	548
Cash and cash equivalents	(18)	1,937	1,294	1,468
Current assets		**15,369**	**15,097**	**15,402**
TOTAL ASSETS		43,395	41,138	41,676

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

EQUITY AND LIABILITIES

(in € millions)	Notes	2008	2007	2006
Capital stock	(10)	1,530	1,497	1,474
Additional paid-in capital and legal reserve		3,940	3,617	3,315
Retained earnings and net income for the year		10,910	10,625	9,562
Cumulative translation adjustments		(1,740)	(564)	140
Fair value reserves		(160)	8	(20)
Treasury stock	(10)	(206)	(206)	(306)
Shareholders' equity		**14,274**	**14,977**	**14,165**
Minority interests		256	290	322
Total equity		**14,530**	**15,267**	**14,487**
Long-term debt	(18)	10,365	8,747	9,877
Provisions for pensions and other employee benefits	(13)	2,443	1,807	2,203
Deferred tax liabilities	(14)	1,130	1,277	1,222
Other non-current liabilities and provisions*	(15)	1,950	1,483	936
Non-current liabilities		**15,888**	**13,314**	**14,238**
Current portion of long-term debt	(18)	1,364	971	993
Current portion of other liabilities	(15)	460	547	467
Trade accounts payable	(16)	5,613	5,752	5,519
Current tax liabilities		263	317	190
Other payables and accrued expenses	(16)	3,390	3,425	3,336
Liabilities held for sale	(2)	0	41	249
Short-term debt and bank overdrafts	(18)	1,887	1,504	2,197
Current liabilities		**12,977**	**12,557**	**12,951**
TOTAL EQUITY AND LIABILITIES		**43,395**	**41,138**	**41,676**

* Reclassifications made in the 2007 comparative information are described in Note 15.

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

Consolidated income statement

(in € millions)	Notes	2008	2007	2006
Net sales	(32)	43,800	43,421	41,596
Cost of sales	(21)	(32,923)	(32,235)	(31,180)
Selling, general and administrative expenses including research	(21)	(7,228)	(7,078)	(6,702)
Operating income		3,649	4,108	3,714
Other business income	(21)	54	405	184
Other business expense	(21)	(889)	(1,357)	(576)
Business income		**2,814**	**3,156**	**3,322**
Borrowing costs, gross		(771)	(704)	(676)
Income from cash and cash equivalents		64	78	51
Borrowing costs, net		(707)	(626)	(625)
Other financial income and expense	(22)	(43)	(75)	(123)
Net financial expense		**(750)**	**(701)**	**(748)**
Share in net income of associates	(6)	11	14	7
Income taxes	(14)	(638)	(926)	(899)
Net income		**1,437**	**1,543**	**1,682**
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		1,378	1,487	1,637
Minority interests		59	56	45

Earnings per share (in €)				
Weighted average number of shares in issue		374,998,085	367,124,675	341,048,210
Basic earnings per share	(24)	3.67	4.05	4.80
Weighted average number of shares assuming full dilution		376,825,178	374,344,930	363,809,234
Diluted earnings per share	(24)	3.66	3.97	4.54

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

Consolidated cash flow
statement

(in € millions)	Notes	2008	2007	2006
Net income attributable to equity holders of the parent		**1,378**	**1,487**	**1,637**
Minority interests in net income	(*)	59	56	45
Share in net income of associates, net of dividends received	(6)	(7)	(6)	(2)
Depreciation, amortization and impairment of assets	(21)	1,681	1,875	1,717
Gains and losses on disposals of assets	(21)	(53)	(394)	(175)
Unrealized gains and losses arising from changes in fair value and share-based payments		15	50	125
Changes in inventories	(8)	(205)	(364)	(295)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(9) (16)	477	337	224
Changes in tax receivable and payable	(14)	(96)	12	(19)
Changes in deferred taxes and provisions for other liabilities and charges	(13) (14) (15)	(270)	8	(609)
Charge to provision for competition litigation	(26)	400	694	
Net cash from operating activities		**3,379**	**3,755**	**2,648**
Purchases of property, plant and equipment [2008: (2,149), 2007: (2,273), 2006: (2,191)] and intangible assets	(4) (5)	(2,228)	(2,381)	(2,285)
Increase (decrease) in amounts due to suppliers of fixed assets	(16)	(70)	76	61
Acquisitions of shares in consolidated companies [2008: (2,328), 2007: (837), 2006: (571)], net of cash acquired	(2)	(2,226)	(750)	(501)
Acquisitions of other investments	(7)	(30)	(128)	(13)
Increase in investment-related liabilities	(15)	159	40	116
Decrease in investment-related liabilities	(15)	(103)	(137)	(311)
Investments		**(4,498)**	**(3,280)**	**(2,933)**
Disposals of property, plant and equipment and intangible assets	(4) (5)	174	256	208
Disposals of shares in consolidated companies, net of cash divested	(2)	42	958	657
Disposals of other investments and other divestments	(7)	27	(2)	22
Divestments		**243**	**1,212**	**887**
Increase in loans and deposits	(7)	(53)	(32)	(69)
Decrease in loans and deposits	(7)	55	70	105
Net cash used in investing activities		**(4,253)**	**(2,030)**	**(2,010)**
Issues of capital stock	(*)	356	325	1,147
Minority interests' share in capital increases of subsidiaries	(*)	4	2	2
(Increase) decrease in treasury stock	(*)	(7)	86	29
Dividends paid	(*)	(767)	(621)	(459)
Dividends paid to minority shareholders of consolidated subsidiaries and increase (decrease) in dividends payable		(65)	(42)	(33)
Increase (decrease) in bank overdrafts and other short-term debt		762	(506)	(462)
Increase in long-term debt		2,987	371	1,356
Decrease in long-term debt		(1,642)	(1,486)	(2,768)
Net cash from (used in) financing activities		**1,628**	**(1,871)**	**(1,188)**
Increase (decrease) in cash and cash equivalents		**754**	**(146)**	**(550)**
Net effect of exchange rate changes on cash and cash equivalents		(111)	(28)	(47)
Cash and cash equivalents classified as assets held for sale	(2)	0	0	(15)
Cash and cash equivalents at beginning of year		**1,294**	**1,468**	**2,080**
Cash and cash equivalents at end of year		**1,937**	**1,294**	**1,468**

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

Income tax paid amounted to €734 million in 2008, €809 million in 2007 and €821 million in 2006. Interest paid net of interest received amounted to €603 million in 2008, €521 million in 2007 and €462 million in 2006.

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

Statement of recognized income and expense

The following statement of recognized income and expense has been prepared in application of IAS 19, paragraph 93B, following the Group's decision to record actuarial gains and losses outside the income statement.

(in € millions)	Shareholders' equity	Minority interests	Total equity
2006			
Translation adjustments	(495)	(17)	(512)
Changes in fair value, net of tax	(36)	0	(36)
Changes in actuarial gains and losses, net of tax	293	0	293
Other	0	(2)	(2)
Income and expense recognized directly in equity	**(238)**	**(19)**	**(257)**
Net income for the year	1,637	45	1,682
Total recognized income and expense for the year	**1,399**	**26**	**1,425**
2007			
Translation adjustments	(704)	(9)	(713)
Changes in fair value, net of tax	28	0	28
Changes in actuarial gains and losses, net of tax	140	0	140
Other	13 [(a)]	(18)	(5)
Income and expense recognized directly in equity	**(523)**	**(27)**	**(550)**
Net income for the year	1,487	56	1,543
Total recognized income and expense for the year	**964**	**29**	**993**
2008			
Translation adjustments	(1,176)	(36)	(1,212)
Changes in fair value, net of tax	(119)	0	(119)
Changes in actuarial gains and losses, net of tax	(419)	(1)	(420)
Other	(7) [(a)]	(4)	(11)
Income and expense recognized directly in equity	**(1,721)**	**(41)**	**(1,762)**
Net income for the year	1,378	59	1,437
Total recognized income and expense for the year	**(343)**	**18**	**(325)**

(a) Following the exit from the consolidated taxation agreement in 2006, a €16 million deferred tax asset was recorded for the first time in 2007 in respect of future tax credits that the Group will be eligible to receive when UK and US employees exercise their stock options. Of this amount, €10 million was recognized in income – corresponding to tax savings on the stock option cost recognized in the income statement since the transition to IFRS – and the balance was recognized in equity. In 2008, the deferred tax asset was adjusted to end of the year situation. Of the total adjustment, €10 million was recognized in equity and €5 million in income.

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 year	Cumulative translation adjustments	Fair value reserves	Treasury stock	Shareholders' 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 expenses recognized directly in equity			0	0	293	(495)	(36)	0	(238)	(19)	(257)
Net income for the year					1,637				1,637	45	1,682
Total recognized income and expense for the year			0	0	1,930	(495)	(36)	0	1,399	26	1425
Issues of capital stock											
Group Savings Plan	5,399,291	5,399,291	22	198					220		220
Stock option plans	342,550	342,550	1	11					12		12
Other	17,421,612	17,421,612	70	845					915	2	917
Dividends paid (€1.36 per share)					(459)				(459)	(33)	(492)
Treasury stock purchased		(1,976,708)						(110)	(110)		(110)
Treasury stock cancelled									0		0
Treasury stock sold		3,620,201			25			114	139		139
Share-based payments					58				58		58
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 expenses recognized directly in equity			0	0	153	(704)	28	0	(523)	(27)	(550)
Net income for the year					1,487				1,487	56	1,543
Total recognized income and expense for the year			0	0	1,640	(704)	28	0	964	29	993
Issues of capital stock											
Group Savings Plan	4,981,609	4,981,609	20	274					294		294
Stock option plans	730,420	730,420	3	24					27		27
Other	84,400	84,400		4					4	2	6
Dividends paid (€1.70 per share)					(621)				(621)	(63)	(684)
Treasury stock purchased		(243,277)						(16)	(16)		(16)
Treasury stock cancelled									0		0
Treasury stock sold		2,606,976			(14)			116	102		102
Share-based payments					58				58		58
At December 31, 2007	374,216,152	369,840,183	1,497	3,617	10,625	(564)	8	(206)	14,977	290	15,267
Income and expenses recognized directly in equity			0	0	(376)	(1,176)	(169)	0	(1,721)	(41)	(1,762)
Net income for the year					1,378				1,378	59	1,437
Total recognized income and expense for the year			0	0	1,002	(1,176)	(169)	0	(343)	18	(325)
Issues of capital stock											
Group Savings Plan	8,272,947	8,272,947	33	320					353		353
Stock option plans	82,886	82,886		3					3		3
Other		0							0	4	4
Dividends paid (€2.05 per share)					(767)				(767)	(56)	(823)
Treasury stock purchased		(2,898,905)						(131)	(131)		(131)
Treasury stock cancelled									0		0
Treasury stock sold		2,729,725			(7)			131	124		124
Share-based payments					58				58		58
At December 31, 2008	382,571,985	378,026,836	1,530	3,940	10,911	(1,740)	(161)	(206)	14,274	256	14,530

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

Notes to the consolidated financial statements

NOTE 1

Accounting principles and policies

Basis of preparation

The consolidated financial statements of Compagnie de Saint-Gobain and its subsidiaries ("the Group") have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for use in the European Union at December 31, 2008.

IFRS were applied retrospectively in the opening balance sheet at the transition date (January 1, 2004), with the exception of certain optional or mandatory exemptions provided for under IFRS 1 – First-time Adoption of International Financial Reporting Standards. The Group elected to apply IAS 32 and IAS 39 relating to financial instruments and IFRS 2 relating to share-based payments as of January 1, 2004.

The accounting policies applied are consistent with those used to prepare the financial statements for the years ended December 31, 2006 and 2007. The consolidated financial statements have been prepared using the historical cost convention, except for certain assets and liabilities that have been measured using the fair value model as explained in these notes.

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

The Group has not early adopted any new standards, interpretations or amendments to published standards that are applicable for financial years beginning on or after January 1, 2009 (see table below). Accordingly, IFRS 8 – Operating Segments has not been applied. Application of this standard would not have any impact on the presentation of the disclosures in Note 32.

The Group has not early adopted IFRIC 14, that was adopted by the International Accounting Standards Board (IASB) on January 1, 2008 but has been adopted for use in the European Union from January 1, 2009. Application of this interpretation would lead to a €138 million reduction in equity after tax.

With the exception of IFRIC 14, the consolidated financial statements have been prepared in accordance with all the standards issued by the IASB.

These consolidated financial statements were adopted by the Board of Directors on February 19, 2009 and will be submitted to the Shareholders' Meeting for approval. They are expressed in millions of euros.

Estimates and assumptions

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

The main estimates and assumptions described in these notes concern the measurement of employee benefit obligations, provisions for other liabilities and charges, asset impairment tests, deferred taxes, share-based payments and financial instruments. Estimates are revised at the balance sheet date and tests are carried out where appropriate to assess their sensitivity to changes in assumptions.

Summary of new standards, interpretations and amendments to published standards

Standards, interpretations and amendments to published standards applicable in 2008	
IFRIC 11	Group and Treasury Share Transactions
IFRIC 12*	Service Concession Arrangements
IFRIC 14**	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Standards, interpretations and amendments to published standards with early 2008 possible adoption	
IAS 1R	Presentation of Financial Statements
IAS 27R*	Consolidated and Separate Financial Statements
IFRS 3R*	Business Combinations (Phase 2)
IFRS 8	Operating Segments
Amendments to IAS 23	Borrowing Costs
Amendments to IFRS 1 and IAS 27	Determining the Cost of Investments in Subsidiaries, Jointly Controlled Entities and Associates in the Separate Financial Statements
Amendments to IAS 32	Puttable Instruments and Instruments with Obligations Arising on Liquidation
Amendments to IAS 39*	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
Amendments to IFRS 2	Vesting Conditions and Cancellations
IFRIC 13	Customer Loyalty Programmes
IFRIC 15*	Agreements for the Construction of Real Estate
IFRIC 16*	Hedges of a Net Investment in a Foreign Operation
IFRIC 17*	Distributions of Non-Cash Assets to Owners

* Not yet adopted by the European Union.
** Adopted by the International Accounting Standards Board for application from January 1, 2008; adopted for use in the European Union no later than January 1, 2009.

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

Consolidation

Scope of consolidation

The Group's consolidated financial statements include the accounts of Compagnie de Saint-Gobain and of all companies controlled by the Group, as well as those of jointly controlled companies and companies over which the Group exercises significant influence.
Significant changes in the Group's scope of consolidation during 2008 are presented in Note 2 and a list of the principal consolidated companies at December 31, 2008 is provided in Note 33.

Consolidation methods

Companies over which the Group exercises exclusive control, either directly or indirectly, are fully consolidated.
Interests in jointly controlled entities are proportionately consolidated. The Group has elected not to apply the alternative treatment permitted by IAS 31, under which jointly controlled companies may be accounted for by the equity method.
Companies over which the Group directly or indirectly exercises significant influence are accounted for by the equity method.

Business combinations

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

Potential voting rights and share purchase commitments

Potential voting rights conferred by call options on minority interests are taken into account in determining whether the Group exclusively controls an entity only when the options are currently exercisable.
When calculating its percentage interest in controlled companies, the Group considers the impact of cross put and call options on minority interests in the companies concerned. This approach gives rise to the recognition in the financial statements of an investment-related liability (included within "Other liabilities") corresponding to the present value of the estimated exercise price of the put option, with a corresponding reduction in minority interests and increase in goodwill. Any subsequent changes in the fair value of the liability are recognized by adjusting goodwill.

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

Non-current assets held for sale and directly associated liabilities are presented separately on the face of the consolidated balance sheet, and income and expenses continue to be recognized in the consolidated income statement on a line-by-line basis. Income and expenses arising on discontinued operations are recorded as a single amount on the face of the consolidated income statement.
At each balance sheet date, the value of the assets and liabilities is reviewed to determine whether any additions to or reversals of provisions should be recognized due to a change in their fair value less costs to sell.

Intragroup transactions

All intragroup balances and transactions are eliminated in consolidation.

Minority interests

When consolidated subsidiary's cumulative losses exceed its equity, the portion of the excess attributable to minority interests is allocated to the Group's majority interest unless the minority has a binding obligation to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the Group's majority interest until the minority's share of losses previously absorbed by the Group has been recovered.
Transactions with minority interests are treated in the same way 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 Compagnie de Saint-Gobain's functional and presentation currency.
Assets and liabilities of subsidiaries outside the euro zone are translated into euros at the closing exchange rate and income and expense items are translated using the average exchange rate for the period, except when exchange rates have been significantly volatile.
The Group's share of any translation gains or losses is included in equity under "Cumulative translation adjustments", until the foreign operations to which they relate are sold or liquidated, at which time they are taken to the income statement.
The Group elected to use the exemption allowed under IFRS 1, by resetting to zero at January 1, 2004 the cumulative translation differences that existed at the IFRS transition date.

Foreign currency transactions

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

Balance sheet items

Goodwill

When an entity is acquired by the Group, the identifiable assets, liabilities, and contingent liabilities of the entity are recognized at their fair value. Any adjustments to provisional values as a result of completing the initial accounting are recognized within twelve months of the acquisition date.
The acquisition cost is the amount of cash and cash equivalents paid to the seller plus any costs directly attributable to the acquisition, such as fees paid to investment banks, attorneys, auditors, independent valuers and other consultants.
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired entity. If the cost of the acquisition is less than the fair value of the net identifiable assets, liabilities and contingent liabilities acquired, the difference is recognized directly in the income statement.
Goodwill arising on 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 national and/or international reputation. These brands are not amortized but are tested for impairment on an annual basis. Other brands are amortized over their useful lives, not to exceed 40 years.
Costs incurred to develop software in-house – primarily configuration, programming and testing costs – are recognized as intangible assets. Patents and purchased computer software are amortized over their estimated useful lives, not exceeding 20 years for patents and 3 to 5 years for software.

Research costs are expensed as incurred. Development costs meeting the recognition criteria under IAS 38 are included in intangible assets and amortized over their estimated useful lives (not to exceed 5 years) from the date when the products to which they relate are first marketed.
The greenhouse gas emissions allowances granted to the Group have not been recognized as assets in the consolidated financial statements, 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 of 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 of property, plant and equipment purchases.
Expenses incurred in exploring and evaluating mineral resources are included in property, plant and equipment when it is probable that associated future economic benefits will flow to the Group. They include mainly the costs of topographical or geological studies, drilling costs, sampling costs and all costs incurred in assessing the technical feasibility and commercial viability of extracting the mineral resource.
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.
Except for the head office building, which is the Group's only material non-industrial asset, property, plant and equipment are considered as having no residual value, as most items are intended to be used until the end of their useful lives and are not generally expected to be sold.
Property, plant and equipment other than land are depreciated using the components approach, on a straight-line basis over the following estimated useful lives, which are regularly reviewed:

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

Gypsum quarries are depreciated over their estimated useful lives, based on the quantity of gypsum extracted during the year compared with the extraction capacity.
Provisions for site restoration are recognized as components of assets in the event of a sudden deterioration in site conditions and whenever the Group has a legal or constructive obligation to restore a site in accordance with contractually determined conditions. These provisions are reviewed periodically and may be discounted over the expected useful lives of the assets concerned. The component is depreciated over the same useful life as that used for mines and quarries.
Government grants for purchases of property, plant and equipment are recorded under "Other payables" and taken to the income statement over the estimated useful lives of the relevant assets.

Finance leases and operating leases

Assets held under leases that transfer to the Group substantially all of the risks and rewards of ownership (finance leases) are recognized as property, plant and equipment. They are recognized at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments.
Property, plant and equipment acquired under finance leases are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset – determined using the same criteria as for assets owned by the Group – or the lease term. The corresponding liability is shown in the balance sheet net of related interest.
Rental payments under operating leases are expensed as incurred.

Non-current financial assets

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

Impairment of assets

Property, plant and equipment, goodwill and other intangible assets are tested for impairment on a regular basis. These tests consist of comparing the asset's carrying amount to its recoverable amount. Recoverable amount is the higher of the

asset's fair value less costs to sell and its value in use, calculated by reference to the present value of the future cash flows expected to be derived from the asset.
For property, plant and equipment and amortizable intangible assets, an impairment test is performed whenever revenues from the asset decline or the asset generates operating losses due to either internal or external factors, and no improvement is forecast in the annual budget or the business plan.
For goodwill and other intangible assets (including brands with indefinite useful lives), an impairment test is performed at least annually based on the five-year business plan. Goodwill is reviewed systematically and exhaustively at the level of each cash-generating unit (CGU) and where necessary more detailed tests are carried out. The Group's reporting segments are its five business sectors, which may each include several CGUs. A CGU is a reporting sub-segment, generally defined as a core business of the segment in a given geographical area. It typically reflects the manner in which the Group organizes its business and analyzes its results for internal reporting purposes. In 2008, 39 main CGUs were identified and monitored.
Goodwill and brands are allocated mainly to the Gypsum and Industrial Mortars CGUs and to the Building Distribution CGUs primarily in the United Kingdom, France and Scandinavia.
The method used for these impairment tests is consistent with that employed by the Group for the valuation of companies acquired in business combinations or acquisitions of equity interests. The carrying amount of the CGUs is compared to their value in use, corresponding to the present value of future cash flows excluding interest but including tax. Cash flows for the fifth year of the business plan are rolled forward over the following two years. For impairment tests of goodwill, normative cash flows (corresponding to cash flows at the mid-point in the business cycle) are then projected to perpetuity using a low annual growth rate (generally 1%, except for emerging markets or businesses with a high organic growth potential where a 1.5% rate may be used). The discount rate applied to these cash flows corresponds to the Group's cost of capital (7.5% in 2008 and 7% in 2007), plus a country risk premium where appropriate depending on the geographic area concerned, bringing the discount rate up to 10% in some cases.
The recoverable amount calculated using a post-tax discount rate gives the same result as a pre-tax rate applied to pre-tax cash flows.

Different assumptions measuring the method's sensitivity are systematically tested using the following parameters:
- 1-point increase or decrease in the annual average rate of growth in cash flows projected to perpetuity;
- 0.5-point increase or decrease in the discount rate applied to cash flows.

When the annual impairment test reveals that the value in use of an asset (or goodwill) is lower than its carrying amount, if the asset's fair value less costs to sell is also lower than the carrying amount an impairment loss is recorded to reduce the carrying amount of the asset or goodwill to its recoverable amount.
Overall and for the main acquisitions, impairment tests carried out in 2008 did not reveal any major impairments, although for recent acquisitions – primarily the Gypsum business in the United States – the worsening economic environment has created a degree of uncertainty regarding projected cash flows and the resulting valuations. However, a 0.5-point increase in the discount rate or a 0.5-point decrease in the average cash flow growth rate projected to perpetuity would not result in any impairment losses being recognized on intangible assets currently carried in the balance sheet.
Impairment losses on goodwill can never be reversed through income. For property, plant and equipment and other intangible assets, an impairment loss recognized in a prior period may be reversed if there is an indication that the impairment no longer exists and that the recoverable amount of the asset concerned exceeds its carrying amount.

Inventories

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

Operating receivables and payables

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

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

Net debt

Long-term debt

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

Short-term debt

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

Cash and cash equivalents

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

Further details about long- and short-term debt are provided in Note 18.

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

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

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

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

Fair value hedges

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

Cash flow hedges

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

Derivatives that do not qualify for hedge accounting

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

Fair value of financial instruments

The fair value of financial assets and financial liabilities quoted in an active market corresponds to their quoted price. The fair value of financial assets and financial liabilities not quoted in an active market is established by a recognized valuation technique such as reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analysis based on observable market data.
The fair value of short-term financial assets and liabilities is considered as being the same as their carrying amount due to their short maturities.

Employee benefits – defined benefit plans

After retirement, the Group's former employees are eligible for pension benefits in accordance with the applicable laws and regulations in the respective countries in which the Group operates. There are also additional pension obligations in certain Group companies, both in France and other countries. In France, employees receive length-of-service awards on retirement based on years of service and the calculation methods prescribed in the applicable collective bargaining agreements.
The Group's obligation for the payment of pensions and length-of-service awards is determined at the balance sheet date by independent actuaries, using a method that takes into account projected final salaries at retirement and economic conditions in each country. These obligations may be financed by pension funds, with a provision recognized in the balance sheet for the unfunded portion.
The effect of any plan amendments (past service cost) is recognized on a straight-line basis over the remaining vesting period, or immediately if the benefits are already vested. Actuarial gains or losses reflect year-on-year changes in the actuarial assumptions used to measure the Group's obligations and plan assets, experience adjustments (differences between the actuarial assumptions and what has actually occurred), and changes in legislation. They are recognized in equity as they occur.
In the United States, Spain and Germany, retired employees receive benefits other than pensions, mainly concerning healthcare. The Group's obligation under these plans is determined using an actuarial method and is covered by a provision recorded in the balance sheet.
Provisions are also set aside on an actuarial basis for other employee benefits, such as jubilees or other long-service awards, deferred compensation, specific welfare benefits, and termination benefits in various countries. Any actuarial gains and losses relating to these benefits are recognized immediately. The Group has elected to recognize the interest costs for these obligations and the expected return on plan assets as financial expense or income.

Employee benefits – defined contribution plans

Contributions to defined contribution plans are expensed as incurred.

Employee benefits – share-based payments

At the IFRS transition date (January 1, 2004) the Saint-Gobain Group elected to apply IFRS 2 to its November 20, 2002 stock option plan and all subsequent plans.
The cost of stock option plans is calculated using the Black & Scholes option pricing model, based on the following parameters:

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

The cost calculated using this method is recognized in the income statement over the vesting period of the options, ranging from three to four years.
For options exercised for new shares, the sum received by the Company when the options are exercised is recorded in "Capital stock" for the portion representing the par value of the shares, with the balance – net of directly attributable transaction costs – recorded under "Additional paid-in capital".
The method used by Saint-Gobain to calculate the costs of its Group Savings Plan takes into account the fact that shares granted to employees under the plan are subject to a five- or ten-year lock-up. The lock-up cost is measured and deducted from the 20% discount granted by the Group on employee share awards. The calculation parameters are defined as follows:

- The exercise price, as set by the Board of Directors, corresponds to the average of the opening share prices quoted over the 20 trading days preceding the date of grant, less a 20% discount.

- The grant date of the options is the date on which the plan is announced to employees. For Saint-Gobain, this is the date when the plan's terms and conditions are announced on the Group's intranet.
- The interest rate used to estimate the cost of the lock-up feature of employee share awards is the rate that would be charged by a bank to an individual with an average risk profile for a general purpose five- or ten-year consumer loan repayable at maturity.

In 2008 and 2007, Saint-Gobain set up a leveraged Group Savings Plan. This plan offers a 15% discount and allows participating employees to receive, at maturity and for each share subscribed, a capital gain equivalent to the gain on ten shares over the period. The plan costs are calculated under IFRS 2 in the same way as for the non-leveraged plan, but also take into account the advantage accruing to employees who have access to share prices with a volatility profile adapted to institutional investors.

The cost of the two plans was recognized in full at the end of the subscription period, during the first half of the year.

Equity

- **Additional paid-in capital and legal reserve**

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

- **Retained earnings and net income for the year**

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

- **Treasury stock**

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

Other current and non-current liabilities and provisions

- **Provisions for other liabilities and charges**

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

If the timing or the amount of the obligation cannot be measured reliably, it is classified as a contingent liability and reported as an off-balance sheet commitment. However, contingent liabilities arising on 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 put options granted to minority shareholders of subsidiaries and liabilities relating to the acquisition of shares in Group companies, including additional purchase consideration. They are reviewed on a periodic basis. The impact of discounting adjustments reflecting the passage of time is recognized in financial income and expense.

Income statement items

Revenue recognition

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

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

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

Operating income

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

Other business income and expense

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

Business income

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

Net financial expense

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

Income taxes

Current income tax is the estimated amount of tax payable in respect of income for a given period, calculated by reference to the tax rates that have been enacted or substantively enacted at the balance sheet date, plus any adjustments to current taxes recorded in previous financial periods.
Deferred taxes are recorded using the balance sheet liability method for temporary differences between the carrying amount of assets and liabilities and their tax basis. Deferred tax assets and liabilities are measured at the tax rates expected to apply to the period when the asset is realized or the liability settled, based on the tax laws that have been enacted or substantively enacted at the balance sheet date.
Deferred tax assets are recognized only if it is considered probable that there will be sufficient future taxable income against which the temporary difference can be utilized. They are reviewed at each balance sheet date and written down to the extent that it is no longer probable that there will be sufficient taxable income against which the temporary difference can be utilized.
No provision is made in respect of tax on undistributed earnings of subsidiaries that are not intended to be distributed.
In accordance with interpretation SIC 21, a deferred tax liability is recognized for brands acquired in a business combination.
Deferred taxes are recognized as income or expense in the income statement, except if they relate to items that are recognized directly in equity, in which case the deferred tax is also recognized in equity.

Earnings per share

Basic earnings per share are calculated by dividing net income by the average number of shares in issue during the period, excluding treasury stock.
Diluted earnings per share are calculated by adjusting earnings per share (see Note 24) and the average number of shares in issue for the effects of all dilutive potential common shares, such as stock options and convertible bonds. The calculation is performed using the treasury stock method, which assumes that the proceeds from the exercise of dilutive instruments are assigned on a priority basis to the purchase of common shares in the market.

Recurring net income

Recurring net income corresponds to income after tax and minority interests but before capital gains or losses, asset impairment losses, material non-recurring provisions and the related tax and minority interests.
The method used for calculating recurring net income is explained in Note 23.

Return on capital employed

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

Cash flow from operations

Cash flow from operations corresponds to net cash generated from operating activities before the impact of changes in working capital requirement, changes in current taxes and movements in provisions for other liabilities and charges and deferred taxes. Cash flow from operations is adjusted for the effect of material non-recurring provision charges.
The method used for calculating cash flow from operations is explained in Note 23.

Cash flow from operations before tax on capital gains or losses

Cash flow from operations before tax on capital gains or losses corresponds to cash flow from operations less the tax effect of asset disposals.
The method used for calculating cash flow from operations before tax on capital gains or losses is explained in Note 23.

Segment information

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

NOTE 2

Changes in group structure

Changes in the number of consolidated companies

2008

	France	Outside France	Total
Fully consolidated companies			
At January 1	210	1,206	1,416
Newly consolidated companies	35	131	166
Merged companies	(34)	(199)	(233)
Deconsolidated companies	(3)	(12)	(15)
Change in consolidation method		1	1
At December 31	**208**	**1,127**	**1,335**
Proportionately consolidated companies			
At January 1	2	11	13
Newly consolidated companies		6	6
Deconsolidated companies			0
Change in consolidation method		3	3
At December 31	**2**	**20**	**22**
Companies accounted for by the equity method			
At January 1	6	73	79
Merged companies	1	11	12
Merged companies		(6)	(6)
Deconsolidated companies		(11)	(11)
Change in consolidation method		(4)	(4)
At December 31	**7**	**63**	**70**
Total at December 31	**217**	**1,210**	**1,427**

Significant changes in group structure

2008

On March 13, 2008, Saint-Gobain completed the acquisition of the Maxit group from HeidelbergCement for €2,087 million including €559 million in assumed net debt.
Maxit was fully consolidated from March 1, 2008, within the Industrial Mortars Division, contributing €1,019 million to consolidated net sales for the year.
The provisional allocation of the acquisition price to the identifiable assets and liabilities acquired at December 31, 2008 led to positive fair value adjustments to inventories for €13 million and to property, plant and equipment for €48 million, negative fair value adjustments to non-current financial assets of €11 million, and a €19 million increase before tax in liabilities and contingent liabilities. Goodwill arising on the business combination was provisionally estimated at €1,539 million at December 31, 2008.
During the first half of 2008, the Group acquired two building materials distribution companies, Dalhoff Larsen & Horneman A/S (DLH) in Denmark, and Famar Desi in Estonia. UK-based building materials distributor Gibbs & Dandy was also acquired, through a cash offer that closed on July 1, 2008.

2007

The Building Distribution Sector made several acquisitions in 2007, mainly in France, the United Kingdom, Germany, the Netherlands, Spain and the United States.
On August 31, 2007, Saint-Gobain acquired the US group Norandex. Sales from its distribution business were consolidated over the last four months of 2007 and totaled €161 million.
Izocam and Saint-Gobain Envases SA, which were acquired at the end of 2006 and previously accounted for by the equity method, were accounted for using proportionate consolidation (Izocam) and full consolidation (Saint-Gobain Envases SA) from January 1, 2007.
Following the agreement entered into with 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 was recorded under "Other business income" (see Note 21).
The sub-group's consolidated sales for first-quarter 2007 amounted to €149 million.
The Saint-Gobain Group subsequently decided to acquire a 19.9% interest in holding company Cougard Investissements, the parent company of the new Desjonquères group (SGD), for €42 million. This investment comprised €14 million in shares classified as available-for-sale and €28 million in convertible bonds, both of which are included in other non-current assets. Changes in the fair value of the convertible bonds are accounted for through income.
On November 1, 2007, the Group's Reinforcement and Composites Division (excluding the US fiber reinforcements business) was sold to Owens Corning. The related assets and liabilities were classified as held for sale in the consolidated balance sheet at June 30, 2007 and until October 31, 2007, the effective date of the transaction. The Division's external sales for the first ten months of 2007 amounted to €558 million.

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 assumed net debt. As this acquisition was authorized by the Chinese authorities in late December 2005, the company – which reported sales of €126 million in 2006 – was consolidated from January 1, 2006.
In first-half 2006, the Group acquired the entire capital stock of Ireland-based JP Corry, which was consolidated 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 classified as held for sale from January 26, 2006, the date the sale process was announced, through June 30, 2006, the effective date of the sale. The sub-Group's consolidated sales for first-half 2006 totaled €182 million.

Impact on the consolidated balance sheet

The impact on the balance sheet at December 31, 2008 of changes in group structure and in consolidation methods was as follows:

(in € millions)	First-time consolidation of Maxit	Other acquired companies	Divested companies	Total
Impact on assets				
Non-current assets	2,023	755	(39)	2,739
Inventories	154	151	(22)	283
Trade accounts receivable	200	107	(46)	261
Other current assets excluding cash and cash equivalents	10	75	1	86
	2,387	**1,088**	**(106)**	**3,369**
Impact on equity and liabilities				
Shareholders' equity and minority interests	1	7	(10)	(2)
Provisions for pensions and other employee benefits	37	11	(1)	47
Non-current liabilities	67	25	(5)	87
Trade accounts payable	73	127	(25)	175
Other payables and accrued expenses	122	68	(15)	175
	300	**238**	**(56)**	**482**
Enterprise value of consolidated companies acquired/divested (a)	**2,087**	**850**	**(50)**	**2,887**
Impact on consolidated net debt*				
Impact on cash and cash equivalents	17	85	(8)	94
Impact on net debt excluding cash and cash equivalents (b)	576	135	(8)	703
	559	**50**	**0**	**609**
Acquisitions/disposals of shares in consolidated companies net of cash acquired/divested (a) - (b)	**1,511**	**715**	**(42)**	**2,184**

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

Assets and liabilities held for sale

The US fiber reinforcements business was discontinued during 2008 and its assets and liabilities were therefore no longer reported as held for sale in the consolidated balance sheet at December 31, 2008.
The assets and liabilities of the Reinforcements and Composites business were classified as held for sale in the consolidated balance sheet at June 30, 2007. The sale of the business on November 1, 2007 had no further impact on the income statement in light of the one-off provision booked at June 30, 2007. Only the US fiber reinforcements business continued to be classified as held for sale in the consolidated balance sheet at December 31, 2007.

In 2006, the Group launched a process to sell its Flasks business (Saint-Gobain Desjonquères group) and the assets and liabilities of the business were therefore classified as held for sale in the consolidated balance sheet at December 31, 2006. The sale was completed at the end of the first quarter of 2007.

In accordance with IAS 12, a deferred tax liability relating to the cumulative reserves carried in respect of the Saint-Gobain Desjonquères business was recognized in 2006 for an amount of €10 million, and subsequently reversed when the sale was completed on March 31, 2007.

Changes in assets and liabilities held for sale over the last two years were as follows:

(in € millions)	Assets	Liabilities	Provisions
At December 31, 2006	**548**	**249**	**0**
Reclassifications to held for sale	950	278	
Additions to provisions			161
Disposals, reclassifications and other movements	(1,333)	(486)	(101)
At December 31, 2007	**165**	**41**	**60**
Reclassifications to held for sale			
Additions to provisions			
Disposals, reclassifications and other movements	(165)	(41)	(60)
At December 31, 2008	**0**	**0**	**0**

Assets and liabilities held for sale break down as follows:

(in € millions)	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
Goodwill and other intangible assets	0	3	6
Property, plant and equipment, net	0	89	220
Other non-current assets	0	2	9
Inventories, trade accounts receivable and other accounts receivable	0	71	298
Cash and cash equivalents	0	0	15
Total assets held for sale	**0**	**165**	**548**
Provisions for pensions and other employee benefits	0	3	18
Deferred tax liabilities and other non-current liabilities	0	11	29
Trade accounts payable, other payables and accrued expenses, and other current liabilities	0	17	158
Short-term debt and bank overdrafts	0	10	44
Total liabilities held for sale	**0**	**41**	**249**

NOTE 3

Goodwill

(in € millions)	2008	2007	2006
At January 1			
Gross value	9,440	9,481	9,756
Accumulated impairment	(200)	(154)	(38)
Net	**9,240**	**9,327**	**9,718**
Movements during the year			
Changes in Group structure	2,076	540	28
Impairment	(68)	(82)	(125)
Translation adjustments	(577)	(469)	(289)
Reclassification to assets held for sale	0	(76)	(5)
Total	**1,431**	**(87)**	**(391)**
At December 31			
Gross value	10,924	9,440	9,481
Accumulated impairment	(253)	(200)	(154)
Net	**10,671**	**9,240**	**9,327**

Movements in goodwill during 2008 were due mainly to the acquisition of the Maxit group (acquisition cost: €2,087 million including assumed net debt; provisional goodwill: €1,539 million – see Note 2) and of various Building Distribution companies, mainly in Scandinavia, the United Kingdom, the Baltic countries and France (see Note 2).

Movements in goodwill in 2007 mainly reflected the acquisition of Izocam (acquisition cost: €111 million, including €42 million in 2007; goodwill: €67 million); Norandex in the United States (acquisition cost: €273 million, goodwill: €152 million); and various other acquisitions in the Building Distribution Sector, mainly in France, the United Kingdom, Germany, the Netherlands and Spain.

Movements in goodwill in 2006 concerned several acquisitions in the Building Distribution Sector, mainly in France, the United Kingdom and Scandinavia, partly offset by decreases stemming from divestments made in the year (see Note 2).

Impairment losses recognized in 2006 concerned mainly the North American Bottles and Jars business for €89 million.

NOTE 4

Other intangible assets

(in € millions)	Patents	Non-amortizable brands	Software	Development costs	Other	Total
At January 1, 2006						
Gross value	145	2,822	584	35	291	3,877
Accumulated amortization and impairment	(119)		(407)	(6)	(149)	(681)
Net	**26**	**2,822**	**177**	**29**	**142**	**3,196**
Movements during the year						
Changes in group structure	(7)		50	1	(35)	9
Acquisitions		1	42	11	40	94
Disposals			(1)	(1)	(3)	(5)
Translation adjustments		20	(7)		(8)	5
Amortization and impairment	(3)		(76)	(7)	(10)	(96)
Reclassification to assets held for sale			(1)			(1)
Total	**(10)**	**21**	**7**	**4**	**(16)**	**6**
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 year						
Changes in group structure	3	18	36	1	(15)	43
Acquisitions			57	6	45	108
Disposals			(1)		(2)	(3)
Translation adjustments	(1)	(98)	(6)		(7)	(112)
Amortization and impairment	(2)		(77)	(13)	(15)	(107)
Reclassification to assets held for sale			(3)	(2)	(1)	(6)
Total	**0**	**(80)**	**6**	**(8)**	**5**	**(77)**
At December 31, 2007						
Gross value	106	2,763	631	47	279	3,826
Accumulated amortization and impairment	(90)		(441)	(22)	(148)	(701)
Net	**16**	**2,763**	**190**	**25**	**131**	**3,125**
Movements during the year						
Changes in group structure	1		46	1	(26)	22
Acquisitions			43	8	28	79
Disposals			(3)		1	(2)
Translation adjustments		(250)	(8)		(2)	(260)
Amortization and impairment	(2)		(76)	(7)	(11)	(96)
Total	**(1)**	**(250)**	**2**	**2**	**(10)**	**(257)**
At December 31, 2008						
Gross value	113	2,513	684	54	276	3,640
Accumulated amortization and impairment	(98)		(492)	(27)	(155)	(772)
Net	**15**	**2,513**	**192**	**27**	**121**	**2,868**

The "Other" column includes amortizable manufacturing brands totaling €47 million at December 31, 2008 (December 31, 2007: €48 million; December 31, 2006: €52 million).
In April 2008, European companies in the Group returned the final greenhouse gas emissions allowances allocated for the period 2005-2007. The aggregate allowances issued to Saint-Gobain companies under the 2005-2007 program exceeded the Group's total greenhouse gas emissions. At December 31, 2008, allowances issued to the Group under the 2008-2012 program represented some 6.9 million metric tons of CO_2 emissions per year.
The 2008 allowances are equivalent to forecast greenhouse gas emissions for the year; consequently, no provision has been recorded in the accounts in this respect.

NOTE 5

Property, plant and equipment

(in € millions)	Land and quarries	Buildings	Machinery and equipment	Assets under construction	Total
At January 1, 2006					
Gross value	2,026	6,739	18,603	1,389	28,757
Accumulated depreciation and impairment	(257)	(3,252)	(12,411)	(17)	(15,937)
Net	**1,769**	**3,487**	**6,192**	**1,372**	**12,820**
Movements during the year					
Changes in group structure and reclassifications	12	42	(98)	12	(32)
Acquisitions	57	94	501	1,556	2,208
Disposals	(62)	(42)	(50)	(22)	(176)
Translation adjustments	(27)	(64)	(193)	(42)	(326)
Depreciation and impairment	(32)	(288)	(1,180)	(5)	(1,505)
Reclassification to assets held for sale	(4)	(45)	(135)	(36)	(220)
Transfers		310	968	(1,278)	0
Total	**(56)**	**7**	**(187)**	**185**	**(51)**
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 year					
Changes in group structure and reclassifications	(2)	39	30	7	74
Acquisitions	86	149	528	1,529	2,292
Disposals	(24)	(37)	(42)	(17)	(120)
Translation adjustments	(38)	(83)	(153)	(49)	(323)
Depreciation and impairment	(33)	(274)	(1,223)	(6)	(1,536)
Reclassification to assets held for sale	(9)	(77)	(225)	(92)	(403)
Transfers		299	944	(1,243)	0
Total	**(20)**	**16**	**(141)**	**129**	**(16)**
At December 31, 2007					
Gross value	1,971	6,944	17,643	1,704	28,262
Accumulated depreciation and impairment	(278)	(3,434)	(11,779)	(18)	(15,509)
Net	**1,693**	**3,510**	**5,864**	**1,686**	**12,753**
Movements during the year					
Changes in group structure and reclassifications	130	228	302	0	660
Acquisitions	94	135	600	1,334	2,163
Disposals	(17)	(26)	(31)	(12)	(86)
Translation adjustments	(70)	(203)	(279)	(46)	(598)
Depreciation and impairment	(36)	(273)	(1,195)	(14)	(1,518)
Transfers		417	1,135	(1,552)	0
Total	**101**	**278**	**532**	**(290)**	**621**
At December 31, 2008					
Gross value	2,116	7,554	19,078	1,415	30,163
Accumulated depreciation and impairment	(322)	(3,766)	(12,682)	(19)	(16,789)
Net	**1,794**	**3,788**	**6,396**	**1,396**	**13,374**

Acquisitions of property, plant and equipment during 2008 included assets acquired under finance leases for an amount of €14 million (2007: €19 million; 2006: €17 million). These finance leases are not included in the cash flow statement in accordance with IAS 7. At December 31, 2008, total property, plant and equipment acquired under finance leases amounted to €201 million (December 31, 2007: €190 million; December 31, 2006: €210 million) (see Note 25).
In 2008, "Changes in group structure and reclassifications" primarily corresponded to the €438 million impact of the Maxit acquisition.

NOTE 6

Investments in associates

(in € millions)	2008	2007	2006
At January 1			
Equity in associates	106	224	131
Goodwill	17	14	8
Investments in associates	**123**	**238**	**139**
Movements during the year			
Changes in group structure	(9)	(114)	107
Translation adjustments	(6)	(4)	(11)
Transfers, share issues and other movements	1	(3)	1
Dividends paid	(4)	(8)	(5)
Share in net income of associates	11	14	7
Total	**(7)**	**(115)**	**99**
At December 31			
Equity in associates	98	106	224
Goodwill	18	17	14
Investments in associates	**116**	**123**	**238**

At December 31, 2008, investments in associates amounted to €116 million (December 31, 2007: €123 million).
They included shares in Compania Industrial El Volcan, which is listed on the Santiago de Chile stock exchange.
Saint-Gobain's equity in Compania Industrial El Volcan's consolidated net assets was only slightly greater than the market value of the shares at December 31, 2008 due to the recent stock market volatility, but was significantly more than the shares' average market value over the year.
The decrease in investments in associates in 2007 was primarily due to the change in consolidation method for Izocam and Saint-Gobain Envases SA, which had a negative impact of €113 million.

Changes in group structure in 2006 chiefly reflected the first-time consolidation – by the equity method – of Izocam (Turkey) and Saint-Gobain Envases SA (Chile) for a total of €116 million. At December 31, 2006, the market value of the Izocam shares owned by Saint-Gobain (based on the price quoted on the Istanbul stock exchange) approximated the carrying amount of the Group's equity in Izocam's net assets.
Net sales recorded in the individual financial statements of associates totaled €798 million in 2008 (2007: €939 million; 2006: €1,004 million) and aggregate net income totaled €34 million (2007: €42 million; 2006: €54 million). At December 31, 2008, total assets and liabilities of these companies amounted to €766 million and €448 million, respectively (December 31, 2007: €849 million and €493 million; December 31, 2006: €917 million and €524 million).

NOTE 7

Other non-current assets

(in € millions)	Available-for-sale and other securities	Capitalized loans and deposits	Plan surpluses	Total
At January 1, 2006				
Gross value	193	262	31	486
Provisions for impairment in value	(32)	(11)		(43)
Net	**161**	**251**	**31**	**443**
Movements during the year				
Changes in group structure	(119)			(119)
Increases/(decreases)	9	(37)	90	62
Movements in provisions for impairment in value		4		4
Translation adjustments		(9)	(1)	(10)
Transfers and other movements		10		10
Total	**(110)**	**(32)**	**89**	**(53)**
At December 31, 2006				
Gross value	75	225	120	420
Provisions for impairment in value	(24)	(6)		(30)
Net	**51**	**219**	**120**	**390**
Movements during the year				
Changes in group structure	(1)	(4)		(5)
Increases/(decreases)	78	(11)	31	98
Movements in provisions for impairment in value	(2)	1		(1)
Translation adjustments		(5)	(4)	(9)
Transfers and other movements		(1)		(1)
Total	**75**	**(20)**	**27**	**82**
At December 31, 2007				
Gross value	145	205	147	497
Provisions for impairment in value	(19)	(6)		(25)
Net	**126**	**199**	**147**	**472**
Movements during the year				
Changes in group structure	(61)	17		(44)
Increases/(decreases)	9	(2)	89	96
Movements in provisions for impairment in value		(2)		(2)
Translation adjustments	(4)	(6)	(30)	(40)
Transfers and other movements		8		8
Total	**(56)**	**15**	**59**	**18**
At December 31, 2008				
Gross value	86	227	206	519
Provisions for impairment in value	(16)	(13)		(29)
Net	**70**	**214**	**206**	**490**

The decrease in "Available-for-sale and other securities" in 2008 was primarily due to the consolidation of companies acquired at the end of 2007. As explained in Note 1, these securities are measured at fair value.
The decrease in "Available-for-sale and other securities" in 2006 was mainly due to the consolidation of Xugang, which was acquired by the Group at the end of 2005 (see Note 2).
The net increase in provisions for impairment in 2008 reflects €5 million in additions (2007: €3 million; 2006: €3 million) and €3 million in reversals (2007: €2 million; 2006: €7 million).

NOTE 8

Inventories

(in € millions)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Gross value			
Raw materials	1,491	1,335	1,312
Work in progress	274	283	291
Finished goods	4,754	4,639	4,426
Gross inventories	**6,519**	**6,257**	**6,029**
Provisions for impairment in value			
Raw materials	(97)	(95)	(98)
Work in progress	(7)	(9)	(10)
Finished goods	(302)	(320)	(292)
Provisions for impairment in value	**(406)**	**(424)**	**(400)**
Net	**6,113**	**5,833**	**5,629**

In 2008, cost of sales came to €32,923 million (2007: 32,235 million; 2006: €31,180 million).
Impairment losses on inventories recorded in the 2008 income statement totaled €128 million (2007: €159 million). Impairment reversals, due to increases in the net realizable value of inventories, amounted to €92 million in 2008 (2007: €94 million) and were recorded as a deduction from impairment losses for the year.

NOTE 9

Trade and other accounts receivable

(in € millions)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Gross value	6,084	6,595	6,687
Provisions for impairment in value	(437)	(384)	(386)
Trade accounts receivable	**5,647**	**6,211**	**6,301**
Advances to suppliers	561	635	582
Prepaid payroll taxes	26	23	22
Other prepaid and recoverable taxes (other than income tax)	356	327	293
Accrued income	13	12	14
Other	476	489	485
- France	179	122	116
- Other Western European countries	134	156	168
- North America	(11)	16	
- Emerging countries and Asia	174	195	201
Provisions for impairment in value	(8)	(5)	(6)
Other receivables	**1,424**	**1,481**	**1,390**

In 2008, a total of €101 million was added to provisions for impairment of trade and other accounts receivable (2007: €76 million; 2006: €56 million) and €57 million was released in respect of recoveries or bad debts (2007: €74 million; 2006: €75 million). Bad debt write-offs are also reported under this caption, for €58 million in 2008 (2007: €44 million; 2006: €48 million).
Trade and other accounts receivable are mainly due within one year, with the result that their carrying amount approximates fair value.
The Group considers that its exposure to concentrations of credit risk is limited due to its diversified business line-up, broad customer base and global presence. Past-due trade receivables are regularly monitored and analyzed, and provisions are set aside when appropriate. Net past-due trade receivables amounted to €845 million at December 31, 2008 (including €156 million over three months past-due), versus €765 million at December 31, 2007 and €777 million at December 31, 2006. The increase in 2008 was mainly due to changes in group structure.

NOTE 10

Equity

Number of shares outstanding

At December 31, 2008, Compagnie de Saint-Gobain's capital stock comprised 382,571,985 shares of common stock with a par value of €4 each, all in the same class (December 31, 2007: 374,216,152 shares; December 31, 2006: 368,419,723 shares). During 2008, 8,272,947 new shares were issued to members of the 2008 Group Savings Plan and 82,886 shares were issued on exercise of stock options (of which 50,489 options included in the November 20, 2003 plan, 31,597 options included in the November 18, 2004 plan and 800 options included in the November 17, 2005 plan).
At the Shareholders' Meeting of June 7, 2007, shareholders authorized the Board of Directors of Compagnie de Saint-Gobain to:
- Issue, on one or several occasions, up to 147.5 million new shares with or without pre-emptive or priority subscription rights for existing shareholders (twelfth, thirteenth, fourteenth and fifteenth resolutions).
- Issue, on one or several occasions, up to 18.5 million new shares to members of the Group Savings Plan (sixteenth resolution).

- Grant stock options exercisable for shares representing up to 3% of capital stock on the Meeting date, i.e. 11,214,726 options exercisable for the same number of shares (seventeenth resolution). In the eighteenth resolution, the Board was authorized to make stock grants representing up to 1% of the capital stock on the Meeting date, i.e. grants of 3,738,242 shares. If this authorization were to be used, the stock grants would be deducted from the shares available for the stock option plan.

If these authorizations and earlier authorizations to grant stock options (see Note 11) were used in full, this would potentially have the effect of increasing the number of shares outstanding to 565,551,958.

The Board of Directors used these authorizations to grant 3,673,000 stock options on November 22, 2007 (subsequently reduced to 3,623,000 options) and 3,551,900 options on November 20, 2008.

In addition, at the Shareholders' Meeting of June 5, 2008, the Board of Directors was authorized to issue equity warrants in the event of a public tender offer for the Company's shares, in accordance with the French Act of March 31, 2006 on takeover bids (fourteenth resolution). Under this authorization, the Group may issue up to €375 million worth of stock (excluding premiums), representing 93,750,000 shares.

Treasury stock

Saint-Gobain shares held by Compagnie de Saint-Gobain are shown as a deduction from shareholders' equity under "Treasury stock" at historical cost. At December 31, 2008, 4,545,149 shares were held in treasury (December 31, 2007: 4,375,969; December 31, 2006: 6,739,668).

No shares were directly purchased on the market in 2008 or 2007 (2006: 1,976,708 shares). A total of 115,490 shares were sold upon exercise of stock options (2007: 2,460,265; 2006: 3,620,201). No shares were cancelled in 2008, 2007 or 2006.

The liquidity contract set up with Exane BNP Paribas on November 16, 2007 was rolled over in 2008. This contract complies with the Code of Ethics adopted by the *Association Française des Entreprises d'Investissement* (AFEI) recognized by the *Autorité des Marchés Financiers* (AMF). During 2008, 2,829,382 shares were purchased and 2,614,235 shares were sold under the contract (2007: 243,277 shares purchased and 146,711 shares sold).

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

NOTE 11

Stock option plans

Compagnie de Saint-Gobain has stock option plans available to certain employees, and an employee stock purchase plan referred to as the Group Savings Plan ("PEG").

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

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

All options granted between 1999 and 2002 were exercisable for existing shares, while those granted between 2003 and 2007 were exercisable for new shares. For the November 20, 2008 plan, the origin of the shares will be determined at the latest at the end of the four-year vesting period. If an option holder were to die or any of the events provided for in the General Tax Code were to occur during the four-year vesting period, only options exercisable for new shares would vest.

Movements relating to stock options outstanding in 2006, 2007 and 2008 are summarized below:

	€4 par value shares	Average exercise price (in €)
Options outstanding at December 31, 2005	**21,738,119**	**38.06**
Options granted	4,025,800	58.08
Options exercised	(3,974,551)	34.79
Options forfeited	(241,400)	40.26
Options outstanding at December 31, 2006	**21,547,968**	**42.38**
Options granted	3,673,000	71.56
Options exercised	(3,178,885)	33.04
Options forfeited	(50,000)	58.10
Options outstanding at December 31, 2007	**21,992,083**	**48.56**
Options granted	3,551,900	28.62
Options exercised	(198,376)	33.33
Options forfeited	(50,000)	71.56
Options outstanding at December 31, 2008	**25,295,607**	**45.84**

At December 31, 2008, 12,127,557 options were exercisable at an average exercise price of €39.21.

At that date, 4,039,826 options were available for grant under the authorization given by the Shareholders' Meeting of June 7, 2007. This figure represents an overall ceiling for stock options and stock grants.

Stock option expense recorded in the income statement amounted to €41 million in 2008 (2007: €43 million; 2006: €39 million).

The fair value of options granted in 2008 amounted to €22 million. Fair value was calculated using a Black & Scholes-type option pricing model and the same assumptions as those used to measure the expense in accordance with IFRS 2.

The table below summarizes information about stock options outstanding at December 31, 2008:

Grant date	Options exercisable			Options not exercisable		Total options outstanding	Type of options
	Exercise price (in €)	Number of options	Weighted average contractual life (in months)	Exercise price (in €)	Number of options	Number of options	
1999	40.63	324,124	11			324,124	Purchase
2000	37.72	865,760	23			865,760	Purchase
2001	40.22	1,708,804	35			1,708,804	Purchase
2002	23.53	1,183,825	47			1,183,825	Purchase
2003	35.67	2,675,491	59			2,675,491	Subscription
2004	43.56	3,630,853	71	43.56		3,630,853	Subscription
2005	45.71	1,738,700	83	45.71	2,018,550	3,757,250	Subscription
2006	58.08		95	58.08	3,974,600	3,974,600	Subscription
2007	71.56		107	71.56	3,623,000	3,623,000	Subscription
2008	28.62		119	28.62	3,551,900	3,551,900	Subscription or purchase
Total		**12,127,557**			**13,168,050**	**25,295,607**	

Following the four-for-one stock split of June 27, 2002, the number of options under the 1999, 2000 and 2001 plans has been multiplied by four in order to permit meaningful year-on-year comparisons.

NOTE 12

Group savings plan ("PEG")

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

In 2008, the Group issued 8,272,947 shares with a par value of €4 (2007: 4,981,609 shares) to members of the PEG, for a total of €353 million (2007: €294 million).

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

Standard plans

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

The standard plan cost recorded in the income statement amounted to €8.4 million in 2008 (2007: €11.9 million), net of the lock-up cost for employees of €29.8 million (2007: €30.3 million).

The following table shows the main features of the standard plans, the amounts invested in the plans and the valuation assumptions applied in 2008 and 2007.

		2008	2007
Plan characteristics			
	Grant date	February 22	February 23
	Plan duration (in years)	5 or 10	5 or 10
	Benchmark price (in €)	51.75	72.56
	Purchase price (in €)	41.41	58.05
	Discount (in %)	20.00%	20.00%
(a)	Total discount on the grant date (in %)	22.05%	21.11%
	Employee investments (€ millions)	168.7	205.4
	Total number of shares purchased	4,073,045	3,539,025
Valuation assumptions			
	Interest rate paid by employees (1)	7.57%	7.36%
	5-year risk-free interest rate	3.61%	4.02%
	Repo rate	0.25%	0.25%
(b)	Lock-up discount (in %)	17.17%	15.24%
(c)	Total cost to the Group (in %) **(a-b)**	4.88%	5.87%

(1) A 0.5-point decline in borrowing costs for the employee would have an impact of €3.1 million on 2008 cost as calculated in accordance with IFRS 2.

Leveraged plans

Under the leveraged plans introduced in 2007 and 2008, eligible employees are offered the opportunity to invest in Saint-Gobain stock at a 15% discount. The yield profile of the leveraged plans is different from that of the standard plans, as a third-party bank tops up the employee's initial investment, essentially multiplying by ten the amount paid by the employee. The bank intermediation allows to secure the initial funding, to secure the yield for the employee and to increase the indexation on a leveraged number of directly subscribed shares.

The plan costs are calculated under IFRS 2 in the same way as for non-leveraged plans (see Note 1), but also take into account the advantage accruing to employees who have access to share prices with a volatility profile adapted to institutional investors (corresponding to the opportunity gain in the table below).
The leveraged plan cost recorded in the income statement amounted to €8.5 million in 2008 (2007: €4.2 million), net of the lock-up cost for employees and the opportunity gain of €29.9 million (2007: €14.2 million).
The following table shows the main features of the leveraged plans, the amounts invested in the plans and the valuation assumptions applied in 2008 and 2007.

		2008	2007
Plan characteristics			
	Grant date	February 22	February 23
	Plan duration (in years)	5	5
	Benchmark price (in €)	51.75	72.56
	Purchase price (in €)	43.99	61.68
	Discount (in %))	15.00%	15.00%
(a)	Total discount on the grant date (in %)	17.18%	16.19%
	Employee investments (€ millions)	18.5	8.9
	Total investment in the plan (€ millions)	184.8	89.0
	Total number of shares purchased	4,199,902	1,442,584
Valuation assumptions			
	Interest rate paid by employees (1)	7.57%	7.36%
	5-year risk-free interest rate	3.61%	4.02%
	Repo rate	0.25%	0.25%
	Retail/institutional volatility spread (2)	5.50%	4.00%
(b)	Lock-up discount (in %) (3)	15.00%	15.00%
(c)	Opportunity gain (in %)	1.62%	1.65%
(d)	Total cost to the Group (in %) (a-b+c)	3.80%	2.84%

(1) A 0.5-point decline in borrowing costs for the employee would have no impact on the 2008 cost as calculated in accordance with IFRS 2 because the lock-up cost exceeds the discount.
(2) A 0.5-point increase in the retail/institutional rate spread would have an impact of €0.5 million on the 2008 cost as calculated in accordance with IFRS 2.
(3) The interest rate used to calculate the lock-up cost is capped at the discount percentage.

NOTE 13

Provisions for pensions and other employee benefits

(in € millions)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Pensions	1,681	1,058	1,415
Length-of-service awards	207	233	236
Post-employment healthcare benefits	367	341	363
Total provisions for pensions and other post-employment benefit obligations	**2,255**	**1,632**	**2,014**
Healthcare benefits	50	44	51
Long-term disability benefits	38	38	45
Other long-term benefits	100	93	93
Provisions for pensions and other employee benefits	**2,443**	**1,807**	**2,203**

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

(in € millions)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Projected benefit obligations	2,255	1,632	2,014
Plan assets	206	147	120
Net projected benefit obligations	**2,049**	**1,485**	**1,894**

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

(in € millions)	Pension obligations	Fair value of plan assets	Other	Provisions for pensions and other post-employment benefits
At January 1, 2006	**8,765**	**(5,773)**	**211**	**3,203**
Movements during the year				
Service cost	217			217
Interest cost/return on plan assets	417	(387)		30
Employer contributions		(855)		(855)
Employee contributions		(26)		(26)
Actuarial gains and losses and asset ceiling	(225)	(182)	(17)	(424)
Translation adjustment	(212)	132		(80)
Benefit payments	(446)	307		(139)
Past service cost				0
Changes in group structure	36	(15)		21
Curtailments/settlements	(3)			(3)
Other	(5)		(45)	(50)
Total	**(221)**	**(1,026)**	**(62)**	**(1,309)**
At December 31, 2006	**8,544**	**(6,799)**	**149**	**1,894**
Movements during the year				
Service cost	200			200
Interest cost/return on plan assets	430	(451)		(21)
Employer contributions		(157)		(157)
Employee contributions		(25)		(25)
Actuarial gains and losses and asset ceiling	(463)	195	61	(207)
Translation adjustment	(525)	468	(4)	(61)
Benefit payments	(439)	350		(89)
Past service cost				0
Changes in group structure	(35)	14	(6)	(27)
Curtailments/settlements	(13)			(13)
Other			(9)	(9)
Total	**(845)**	**394**	**42**	**(409)**
At December 31, 2007	**7,699**	**(6,405)**	**191**	**1,485**
Movements during the year				
Service cost	167			167
Interest cost/return on plan assets	420	(431)		(11)
Employer contributions		(172)		(172)
Employee contributions		(22)		(22)
Actuarial gains and losses and asset ceiling	(583)	1,147	83	647
Translation adjustment	(560)	629	(27)	42
Benefit payments	(440)	341		(99)
Past service cost				0
Changes in group structure	137	(92)		45
Curtailments/settlements	(3)			(3)
Other	(34)	29	(25)	(30)
Total	**(896)**	**1,429**	**31**	**564**
At December 31, 2008	**6,803**	**(4,976)**	**222**	**2,049**

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

December 31, 2008

(in € millions)	France	Other Western European countries	North America	Rest of the world	Net total
Projected benefit obligation - funded plans	319	3,610	1,995	86	6,010
Projected benefit obligation - unfunded plans	177	225	361	30	793
Fair value of plan assets	136	3,437	1,332	71	4,976
Deficit	360	398	1,024	45	1,827
Unrecognized past service cost					0
Asset ceiling					137
Insured plans					85
Pensions and other post-employment benefit obligations					**2,049**
Plan surpluses classified as assets held for sale					0
Provisions for pensions and other post-employment benefit obligations classified as liabilities held for sale					0
Provisions for pensions and other post-employment benefit obligations					**2,049**

December 31, 2007

(in € millions)	France	Other Western European countries	North America	Rest of the world	Net total
Projected benefit obligation - funded plans	326	4,648	1,818	114	6,906
Projected benefit obligation - unfunded plans	192	242	336	23	793
Fair value of plan assets	171	4,496	1,632	106	6,405
Deficit	347	394	522	31	1,294
Unrecognized past service cost					0
Asset ceiling					81
Insured plans					110
Pensions and other post-employment benefit obligations					**1,485**
Plan surpluses classified as assets held for sale					0
Provisions for pensions and other post-employment benefit obligations classified as liabilities held for sale					0
Provisions for pensions and other post-employment benefit obligations					**1,485**

December 31, 2006

(in € millions)	France	Other Western European countries	North America	Rest of the world	Net total
Projected benefit obligation - funded plans	328	5,366	1,958	123	7,775
Projected benefit obligation - unfunded plans	190	150	411	18	769
Fair value of plan assets	166	4,784	1,742	107	6,799
Deficit	352	732	627	34	1,745
Unrecognized past service cost					0
Asset ceiling					21
Insured plans					142
Pensions and other post-employment benefit obligations					**1,908**
Prepaid pension costs classified as assets held for sale					2
Provisions for pensions and other post-employment benefit obligations classified as liabilities held for sale					16
Provisions for pensions and other post-employment benefit obligations					**1,894**

Description of defined benefit plans

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

- In France, in addition to length-of-service awards, there are three defined benefit plans all of which are final salary plans. These plans were closed to new entrants by the companies concerned between 1969 and 1997.
- In Germany, retirement plans provide pensions and death and disability benefits for employees. These plans have been closed to new entrants since 1996.
- In the Netherlands, ceilings have been introduced for supplementary pension plans, above which they are converted into defined contribution plans.
- In the United Kingdom, retirement plans provide pensions as well as death and permanent disability benefits. These defined benefit plans – which are based on employees' average salaries over their final years of employment – have been closed to new entrants since 2001.
- In the United States and Canada, the Group's defined benefit plans are final salary plans. Since January 1, 2001, new employees have been offered a defined contribution plan.

Provisions for other long-term employee benefits amounted to €188 million at December 31, 2008 (December 31, 2007: €175 million; December 31, 2006: €189 million), and covered all other employee benefits, notably long-service awards in France, jubilees in Germany and employee benefits in the United States. The related projected benefit obligation is generally calculated on an actuarial basis using the same rules as for pension obligations.

Measurement of pension and other post-employment benefit obligations

Pensions and other post-employment benefit obligations are determined on an actuarial basis using the projected unit credit method, based on estimated final salaries.
The Group's total pension and other post-employment benefit obligations amounted to €6,803 million at December 31, 2008 (December 31, 2007: €7,699 million; December 31, 2006: €8,544 million).

Plan assets

For defined benefit plans, plan assets have been progressively built up by contributions, primarily in the United States, the United Kingdom and Germany. Contributions paid by the Group totaled €172 million in 2008 (2007: €157 million; 2006: €855 million). The actual return on plan assets was a negative €716 million in 2008 (2007: positive return of €256 million; 2006: positive return of €569 million).
Contributions for 2006 included exceptional payments of €672 million, of which €516 million to transfer a substantial portion of German pension obligations to an external fund.
The fair value of plan assets – which came to €4,976 million at December 31, 2008 (December 31, 2007: €6,405 million; December 31, 2006: €6,799 million) – is deducted from the Group's projected benefit obligation, as estimated using the projected unit credit method, in order to calculate the unfunded obligation to be covered by a provision.
Plan assets are mainly composed of equities (46%) and bonds (46%), with the remaining 8% invested in other asset classes.

Actuarial assumptions used to measure projected benefit obligations and plan assets

Assumptions related to mortality, employee turnover and future salary increases take into account the economic conditions specific to each country and company.
The assumptions used in 2008 for the main plans were as follows:

	France	Other European countries		United States
(in %)		Euro zone	United Kingdom	
Discount rate	6.25%	6.25%	6.35%	6.25%
Salary increases	2.40%	2.75% to 3.25%	4.20% to 4.50%	3.00%
Expected return on plan assets	5.00%	3.50% to 5.25%	6.25%	8.75%
Inflation rate	2.00%	1.90% to 2.75%	2.75%	2.00%

The assumptions used in 2007 for the main plans were as follows:

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

A 0.5-point decrease in the discount rate would lead to an increase in projected benefit obligations of around €142 million for the US plans, €110 million for the euro-zone plans and €175 million for the UK plans.
The same assumptions concerning mortality, employee turnover and interest rates are used to determine the Group's projected benefit obligations for other long-term employee benefits. In the United States, retirees' healthcare costs are projected to rise by 9% per year. A 1-point increase in this rate would lead to an increase in the related projected benefit obligation of around €41 million.
Expected rates of return on plan assets are estimated by country and by plan, taking into account the different classes of assets held by the plan and the outlook in the various financial markets. The markets' poor performance in 2008, due to the financial crisis, severely affected the overall actual return on plan assets. The expected return on plan assets was €431 million; however, the actual return was a negative €716 million. A 0.5-point increase or decrease in the expected return on plan assets would have an impact of approximately €27 million on income.

Actuarial gains and losses

In 2006, the Group elected to apply the option available under IAS 19 and record in equity actuarial gains and losses, and asset ceiling change (see Note 1). In 2008, €647 million was recognized in equity (increase in provisions). This amount includes €564 million in actuarial differences and €83 million corresponding to an increase in the asset ceiling. In 2007, €207 million was recognized in equity (decrease in provisions). Experience adjustments (corresponding to the effects of differences between previous actuarial assumptions and what has actually occurred) led to a €25 million increase in the projected benefit obligation and a €1,147 million reduction in plan assets.

Plan surpluses and the asset ceiling

When plan assets exceed the projected benefit obligation, the excess is recognized in other non-current assets under "Plan surplus" (see Note 7) provided that it corresponds to future economic benefits. If no future economic benefits are available, the plan surplus is reduced by applying the asset ceiling and adjusting equity.

Contributions to insured plans

This item corresponds to amounts payable in the future to insurance companies under externally funded pension plans for Group employees in Spain and totaled €85 million at December 31, 2008 (December 31, 2007: €110 million; December 31, 2006: €142 million).

Plan surpluses and provisions for pensions and other post-employment benefits classified as assets and liabilities held for sale

No plan surpluses or provisions for pensions and other post-employment benefits were classified as assets and liabilities held for sale in accordance with IFRS 5 at December 31, 2008 and at December 31, 2007. Plan surpluses and provisions for pensions and other post-employment benefits classified as assets and liabilities held for sale at December 31, 2006 amounted to €2 million and €18 million respectively (see Note 2).

Employee benefits expense

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

(in € millions)	2008	2007	2006
Service cost	167	200	217
Interest cost	420	430	417
Return on plan assets	(431)	(451)	(387)
Amortization of actuarial gains and losses		0	0
Curtailments and settlements	(3)	(13)	(3)
Pensions, length-of-service awards and other post-employment benefits	**153**	**166**	**244**
Employee contributions	(22)	(25)	(26)
Total	**131**	**141**	**218**

Additional information about pension costs

Pension contributions for 2008 represented an estimated €874 million (2007: €772 million), including €419 million for government-sponsored basic pension schemes (2007: €388 million), €127 million for government-sponsored supplementary pension schemes, mainly in France (2007: €123 million), and €328 million for corporate-sponsored supplementary pension plans (2007: €261 million), of which €267 million for defined benefit plans (2007: €205 million) and €61 million for defined contribution plans (2007: €56 million).

NOTE 14

Current and deferred taxes

Until December 31, 2006, Compagnie de Saint-Gobain was assessed for income tax on its consolidated taxable income. Under this arrangement, 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. Since January 1, 2007, tax consolidation only applies at a local level.

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

(in € millions)	2008	2007	2006
Net income	1,437	1,543	1,682
less:			
Share in net income of associates	11	14	7
Income taxes	(638)	(926)	(899)
Pre-tax income of consolidated companies	**2,064**	**2,455**	**2,574**

Income tax expense breaks down as follows:

(in € millions)	2008	2007	2006
Current taxes	**(639)**	**(821)**	**(802)**
France	(150)	(144)	(184)
Outside France	(489)	(677)	(618)
Deferred taxes	**1**	**(105)**	**(97)**
France	(16)	(13)	(63)
Outside France	17	(92)	(34)
Total income tax expense	**(638)**	**(926)**	**(899)**

The effective tax rate paid by the Group on its consolidated taxable income in 2006 was as follows:

(in %)	2006
Current income tax rate	33
French surtax	0
Royalties and net capital gains taxed at lower rates	(1)
Other deferred and miscellaneous taxes	3
Effective tax rate	**35**

The effective tax rate paid by the Group under the new tax system applicable as from 2007 is as follows:

(in %)	2007	2008
Tax rate in France	34.4	34.4
Impact of tax rates outside France	(5.7)	(4.7)
Provision for competition litigation not deductible for tax purposes	8.2	4.2
Taxable capital gains	(2.9)	1.8
Provision for deferred tax assets	2.1	(0.1)
Tax loss carryforwards	(1.2)	(0.1)
Other deferred and miscellaneous taxes	2.6	(4.7)
Effective tax rate	**37.5**	**30.8**

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

(in € millions)	Net deferred tax liabilities
At January 1, 2006	**702**
Deferred tax expense/(benefit)	97
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (Note 13)	131
Translation adjustments	31
Impact of changes in group structure and other	(87)
At December 31, 2006	**874**
Deferred tax expense/(benefit)	105
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (Note 13)	67
Translation adjustments	(12)
Impact of changes in group structure and other	(85)
At December 31, 2007	**949**
Deferred tax expense/(benefit)	(1)
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (Note 13)	(228)
Translation adjustments	(111)
Impact of changes in group structure and other	14
At December 31, 2008	**623**

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

(in € millions)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Deferred tax assets	507	328	348
Deferred tax liabilities	(1,130)	(1,277)	(1,222)
Net deferred tax liability	**(623)**	**(949)**	**(874)**
Pensions	561	465	641
Brands	(781)	(844)	(889)
Depreciation & amortization, accelerated capital allowances and untaxed provisions	(992)	(1,029)	(1,127)
Tax loss carryforwards	140	97	181
Other	449	362	320
Total	**(623)**	**(949)**	**(874)**

Since January 1, 2007, deferred taxes are offset at the level of each tax entity, i.e., by tax group where applicable (France, the United Kingdom, Spain, Germany and the United States). Deferred tax assets of €507 million were recognized in 2008 (2007: €328 million), including €372 million in the United States (2007: €214 million). Deferred tax liabilities recognized in 2008 amounted to €1,130 million (2007: €1,277 million), including €457 million in France (2007: €460 million) and €271 million in the United Kingdom (2007: €392 million). Deferred tax liabilities recognized in other countries represented considerably smaller amounts.
Deferred tax assets whose recovery is not considered probable totaled €175 million at December 31, 2008 and €198 million at December 31, 2007.

NOTE 15

Other current and non-current liabilities and provisions

(in € millions)	Provisions for claims and litigation	Provisions for environ-mental risks	Provisions for restruc-turing costs	Provisions for person-nel costs	Provisions for customer warranties	Provisions for other contin-gencies	Investment-related liabilities	Total
At January 1, 2006								
Current portion	131	23	98	21	74	73	260	680
Non-current portion	245	122	99	32	83	164	130	875
Total	**376**	**145**	**197**	**53**	**157**	**237**	**390**	**1,555**
Movements during the year								
Additions	98	14	142	20	82	87		443
Reversals	(1)	(2)	(16)	(6)	(21)	(17)		(63)
Utilizations	(78)	(12)	(124)	(12)	(43)	(30)		(299)
Changes in group structure			(2)			4	(7)	(5)
Other (reclassifications and translation adjustments)	(34)	(14)	4	1	(11)	15	(189)	(228)
Total	**(15)**	**(14)**	**4**	**3**	**7**	**59**	**(196)**	**(152)**
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	**361**	**131**	**201**	**56**	**164**	**296**	**194**	**1,403**
Movements during the year								
Additions	786	21	117	34	81	84		1,123
Reversals	(1)	(2)	(32)	(7)	(22)	(37)		(101)
Utilizations	(79)	(10)	(119)	(13)	(48)	(34)		(303)
Changes in group structure					7	3	(10)	0
Other (reclassifications and translation adjustments)	(39)	6	(7)	2	(10)	50	(94)	(92)
Total	**667**	**15**	**(41)**	**16**	**8**	**66**	**(104)**	**627**
At December 31, 2007								
Current portion	224	31	84	31	80	78	19	547
Non-current portion	804	115	76	41	92	284	71	1,483
Total	**1,028**	**146**	**160**	**72**	**172**	**362**	**90**	**2,030**
Movements during the year								
Additions	528	12	75	28	59	157		859
Reversals	(1)	(7)	(17)	(7)	(24)	(132)		(188)
Utilizations	(198)	(11)	(73)	(15)	(49)	(32)		(378)
Changes in group structure		8	3		13	17	(2)	39
Other (reclassifications and translation adjustments)	(21)	10	(7)	(2)	57	(20)	31	48
Total	**308**	**12**	**(19)**	**4**	**56**	**(10)**	**29**	**380**
At December 31, 2008								
Current portion	95	24	80	32	81	120	28	460
Non-current portion	1,241	134	61	44	147	232	91	1,950
Total	**1,336**	**158**	**141**	**76**	**228**	**352**	**119**	**2,410**

Provisions for claims and litigation

In 2008, provisions for claims and litigation covered potential costs arising from investigations by the competition authorities involving the Innovative Materials Sector - Flat Glass and from asbestos-related litigation. These provisions are described in further detail in Note 26.
In view of developments in the competition authorities' investigation and the appeal lodged by the Group, as well as the estimated duration of the appeal procedure and the period covered by the financial guarantee, the provision at December 31, 2008 is classified in "Other non-current liabilities" and the provision at December 31, 2007 has been reclassified in "Other non-current liabilities" in the 2007 comparative financial information.

Provisions for environmental risks

Provisions for environmental risks cover costs relating to environmental protection measures, as well as site rehabilitation and clean-up costs (see Note 27).

Provisions for restructuring costs

Provisions for restructuring costs came to €141 million at December 31, 2008 (December 31, 2007: €160 million; December 31, 2006: €201 million), including net additions of €58 million during the year. The provisions primarily concern Germany (€32 million), the United Kingdom (€24 million), Benelux (€23 million) and the United States (€17 million).

Provisions for personnel costs

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

Provisions for customer warranties

These provisions cover the Group's commitments under the warranties granted to customers.

Provisions for other contingencies

At December 31, 2008, provisions for other contingencies amounted to €352 million and mainly concerned France (€108 million), the United States (€74 million), Germany (€59 million), Latin America (€36 million), Italy (€23 million) and Spain (€22 million).

Investment-related liabilities

In 2008, changes in investment-related liabilities primarily concerned additional purchase consideration and deferred payments on acquisitions.
In 2007, changes in this item mainly reflected buyouts of minority interests in the Innovative Materials Sector - Flat Glass. Investment-related liabilities at end-2007 included additional purchase consideration and deferred payments on acquisitions in the Building Distribution, Packaging and Construction Products Sectors.
At December 31, 2006, investment-related liabilities included mainly additional purchase consideration and put options granted to minority interests in the Innovative Materials Sector-Flat Glass and Packaging Sectors.

NOTE 16

Trade and other accounts payable and accrued expenses

(in € millions)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Trade accounts payable	5,613	5,752	5,519
Customer deposits	641	647	591
Payable to suppliers of non-current assets	400	478	402
Grants received	63	54	53
Accrued personnel expenses	1,022	1,023	1,006
Accrued taxes other than on income	421	410	378
Other	843	813	906
- France	221	166	139
- Germany	65	76	73
- United Kingdom	90	136	153
- Other Western European countries	193	167	214
- North America	76	82	109
- Emerging countries and Asia	198	186	218
Total other payables and accrued expenses	3,390	3,425	3,336

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

NOTE 17

Risk factors

Market risks (liquidity, interest rate, foreign exchange, energy and credit risks)

Liquidity risk on financing

The Group's overall exposure to liquidity risk on net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain. Except in special cases, all of the Group companies' long-term financing needs and the majority of their short-term financing needs are met by Compagnie de Saint-Gobain or by the national delegations' cash pools.
The main objective of liquidity risk management processes is to guarantee that the Group's financing sources will be rolled over and to optimize annual borrowing costs. Long-term debt therefore systematically represents a high percentage of overall debt. At the same time, the maturity schedules of long-term debt are set in such a way that replacement capital markets issues are spread over time.
Bonds are the main source of long-term financing used by the Group. However, it also uses a Medium Term Notes program, perpetual bonds, participating securities, bank borrowings, and finance leases.
Short-term debt is composed of borrowings under French Commercial Paper (*"Billets de Trésorerie"*), Euro Commercial Paper and US Commercial Paper programs, receivables securitization programs and bank overdrafts. Short-term financial assets comprise marketable securities and cash equivalents. The US Commercial Paper, Euro Commercial Paper, and "*Billets de Trésorerie"* programs are backed by confirmed syndicated and bilateral lines of credit.
A breakdown of long- and short-term debt is provided by type and maturity in Note 18. Details of amounts, currencies, and acceleration clauses of the Group's financing programs and confirmed credit lines are also discussed in Note 18.

Liquidity risk on short-term investments

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

Interest rate risk

The Group's overall exposure to interest rate risk on net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain using the same financing structures and methods as for liquidity risk. Where subsidiaries use derivatives to hedge interest rate risks, their counterparty is Compagnie de Saint-Gobain, the Group parent company.
The objective of interest rate risk management processes is to fix the cost of medium-term debt and optimize annual borrowing costs. The derivative financial instruments used to hedge these risks comprise interest rate swaps, options – including caps, floors and swaptions – and forward rate agreements.
Based on a sensitivity analysis of the Group's total net debt after hedging, a 50-basis point increase in interest rates at the balance sheet date would lead to a €22 million increase in equity and a €12 million reduction in income.

Foreign exchange risk

Foreign exchange risks are managed by hedging commercial transactions carried out by Group entities in currencies other than their functional currencies. Compagnie de Saint-Gobain and its subsidiaries use options and forward contracts to hedge exposure arising from current and future commercial transactions. The subsidiaries set up options 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.
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 of its positions with Compagnie de Saint-Gobain and does not therefore have any open positions. The exposure of other Group companies to foreign exchange

risks is hedged wherever possible with Compagnie de Saint-Gobain on receipt of orders sent by the subsidiaries, or with the national delegations' cash pools. In other cases, hedges are contracted with the subsidiaries' banks.
The Group monitors its exposure to foreign exchange risk using a monthly reporting system which captures the foreign exchange positions taken by the Group's subsidiaries.
At December 31, 2008, 94% of the Group's foreign exchange position was hedged.
The net foreign exchange exposure of subsidiaries whose functional currency is not those presented below was as follows at December 31, 2008:

(in millions of euro equivalents)	Long	Short
EUR	8	10
USD	17	21
Other currencies	1	2
Total	**26**	**33**

Based on a sensitivity analysis at December 31, 2008, a 10% increase in the exchange rates of the main currencies used by subsidiaries would have the following negative impact on net income:

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

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

Energy risk

The Group limits its exposure to energy price fluctuations by using swaps and options to hedge part of its natural gas purchases in certain European countries and the United States, and its fuel oil purchases in Europe. The swaps and options are contracted in the functional currency of the entities concerned. Hedges of gas and fuel oil purchases are managed by a steering committee comprising members of the Group Finance Department, the Group Purchasing Department (Saint-Gobain Achats - SGA) and the relevant Delegations.
These hedges (excluding fixed-price purchases negotiated directly with suppliers by the Purchasing Department) are arranged by the Group Treasury and Financing Department in accordance with instructions received from SGA.
The steering committee does not manage hedges of energy purchases or purchases in geographical areas not mentioned above because:

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

In both of these cases, local purchasing units manage energy risk primarily through fixed-price purchases.
The Group may from time to time enter into contracts to hedge purchases of other commodities, in accordance with the principles outlined above for gas and fuel oil.

Credit risk

To limit the Group's exposure to credit risk, the Treasury and Financing Department only deals with counterparties with a long-term rating of A- or above from Standard & Poor's or A3 or above by Moody's, with a stable outlook in both cases. Concentrations of credit risks are closely monitored to ensure that they remain at reasonable levels.
Note 19 provides details of the Group's interest rate and energy hedges, and the interest rates for the main items of debt. It also provides a breakdown of net debt by currency and interest rate (fixed or variable), as well as the interest rate repricing schedule.

NOTE 18

Net debt

Long- and short-term debt

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

(in € millions)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Bond issues and Medium Term Notes	7,604	8,048	6,223
Perpetual bonds and participating securities	203	203	203
Acquisition-related bank borrowings	2,034		2,989
Other long-term debt including finance leases	320	358	464
Debt recognized at fair value under the fair value option	157	146	
Fair value of interest rate hedges	47	(8)	(2)
Total long-term debt (excluding current portion)	**10,365**	**8,747**	**9,877**
o/w long-term portion of accrued interest	1	2	
Current portion of long-term debt	**1,364**	**971**	**993**
Short-term financing programs (US CP, Euro CP and Billets de Trésorerie)	690		221
Bank overdrafts and other short-term bank borrowings	798	922	1,331
Securitizations	462	591	652
Fair value of derivatives relating to borrowings not qualified as hedges	(63)	(9)	(7)
Short-term debt and bank overdrafts	**1,887**	**1,504**	**2,197**
TOTAL GROSS DEBT	**13,616**	**11,222**	**13,067**
Cash and cash equivalents	(1,937)	(1,294)	(1,468)
TOTAL NET DEBT INCLUDING ACCRUED INTEREST	**11,679**	**9,928**	**11,599**

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounted to €10 billion at December 31, 2008, for a carrying amount of €11 billion.

Long-term debt repayment schedule

Gross long-term debt at December 31, 2008 can be analyzed as follows by maturity:

(in € millions)	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues and Medium Term Notes	EUR	999	4,508	2,431	7,938
	GBP	0	0	628	628
	Other	0	37	0	37
Perpetual bonds and participating securities	EUR	0	0	203	203
Acquisition-related bank borrowing	EUR	0	2,034	0	2,034
Other long-term debt including finance leases	All currencies	117	239	80	436
Debt recognized at fair value under the fair value option	EUR	0	157	0	157
Fair value of interest rate hedges	EUR	0	47	0	47
Total excluding accrued interest		**1,116**	**7,022**	**3,342**	**11,480**

At December 31, 2008, future interest payments on gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain were due as follows:

(in € millions)	Within 1 year	1 to 5 years	Beyond 5 years	Total
Future interest payments on gross long-term debt	540	1,187	663	2,390
Total excluding accrued interest	**540**	**1,187**	**663**	**2,390**

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

Bond issues

On June 13, 2008, Saint-Gobain Nederland redeemed a GBP 150 million bond issue that had reached maturity.
On July 9, 2008, Saint-Gobain Nederland redeemed a €364.5 million bond issue that had reached maturity.
On September 16, 2008, Compagnie de Saint-Gobain carried out a €750 million five-year bond issue, due September 16, 2013.

Perpetual bonds

In 1985, Compagnie de Saint-Gobain issued €125 million worth of perpetual bonds – 25,000 bonds with a face value of €5,000 – paying interest at a variable rate indexed to Euribor. These securities are not redeemable and the interest paid on them is reported under "Borrowing costs".
At December 31, 2008, 18,496 perpetual bonds had been bought back and cancelled, and 6,504 perpetual bonds were outstanding, representing a total face value of €33 million.

Participating securities

In the 1980s, Compagnie de Saint-Gobain issued 1,288,299 non-voting participating securities indexed to the average bond rate (TMO) and 194,633 non-voting participating securities indexed to Euribor (minimum). These securities are not redeemable and the interest paid on them is reported under "Borrowing costs".
Some of these securities have since been bought back on the market. At December 31, 2008, there were 606,883 TMO-indexed securities and 77,516 Euribor-indexed securities outstanding, representing an aggregate face value of €170 million.
Interest on the 606,883 TMO-indexed securities consists of a fixed portion and a variable portion based on the Group's earnings, subject to a cap of 1.25 times the TMO. Interest on the 77,516 Euribor-indexed securities comprises (i) a fixed portion of 7.5% per year applicable to 60% of the security, a nd (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 2008 came to €10.5 million (2007: €10.5 million).

Financing programs

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

At December 31, 2008, issuance under these programs was as follows:

Programs (in millions of currency units)	Currency	Maturities	Authorized program at Dec. 31, 2008	Outstanding issues at Dec. 31, 2008	Outstanding issues at Dec. 31, 2007	Outstanding issues at Dec. 31, 2006
Medium Term Notes	EUR	1 to 30 years	10,000	3,917	3,356	968
US commercial paper	USD	Up to 12 months	1,000 *	–	–	100
Euro commercial paper	USD	Up to 12 months	1,000 *	–	–	–
Billets de trésorerie	EUR	Up to 12 months	3,000	690	–	145

* Equivalent to €718.6 million based on the exchange rate at December 31, 2008.

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

Syndicated and bilateral lines of credit

Compagnie de Saint-Gobain's US Commercial Paper, Euro Commercial Paper and *"Billets de Trésorerie"* programs are backed by a €2,000 million confirmed syndicated line of credit expiring in November 2011 and seven bilateral credit lines totaling €680 million at December 31, 2008.
The facility agreements for the bilateral credit lines include acceleration clauses whereby any drawdowns would become immediately repayable or the facility would be cancelled in the following cases:

- Failure to comply with either of the following ratios (assessed annually):

– Ratio of net debt to operating income excluding depreciation and amortization of property, plant and equipment and intangible assets below 3.75.
– Interest cover (income before tax and net borrowing costs/net borrowing costs) above 3.
These covenants are included in the facility agreements for three bilateral lines representing €290 million.

- Default on bank borrowings in excess of certain ceilings.

No drawdowns were made against any of these facilities in 2008.

In 2005, a €9 billion syndicated line of credit was obtained to finance the acquisition of the BPB group and refinance certain debts of the BPB and Saint-Gobain groups. This facility is composed of three tranches: a three-year loan, a five-year loan, and a five-year revolving credit facility. At December 31, 2007, the three- and five-year loans had been repaid in full. The €500 million portion of the revolving facility granted for general corporate purposes expiring in August 2010 has not been drawn down and is therefore currently available.

The acceleration clause in the syndicated facility agreement would be triggered in the following cases:

- 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 (EBITA/net borrowing costs) above 3.5.
- Default on bank borrowings in excess of €40 million.

Saint-Gobain complied with all of these covenants at December 31, 2008.

In October 2007, the Group obtained a €2,125 million syndicated credit facility to finance the Maxit acquisition. The facility included a tranche with a one-year rollover option. This facility was drawn down in full in March 2008. In October 2008, an addendum to the facility agreement was signed, pushing back the expiration date to October 2010 and reducing the amount to €2,040 million. At December 31, 2008, this amount was fully drawn down.

Bank overdrafts and other short-term bank borrowings

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

Receivables securitization programs

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

The US program amounted to €275 million at December 31, 2008 (December 31, 2007: €373 million).

The difference between the face value of the sold receivables and the sale proceeds is treated as a financial expense, and amounted to €13 million in 2008 (2007: €22.4 million).

The UK program amounted to €187 million at December 31, 2008 (December 31, 2007: €218 million), and the financial expense came to €9 million (2007: €12.9 million).

Collateral

At December 31, 2008, €45 million of Group debt was secured by various non-current assets (real estate and securities).

NOTE 19

Financial instruments

Derivatives

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

(in € millions)	Fair value at December 31, 2008			Fair value at Dec. 31, 2007	Nominal value broken down by maturity at December 31, 2008			
	Derivatives recorded in assets	Derivatives recorded in liabilities	Total		Within 1 year	1 to 5 years	Beyond 5 years	Total
Fair value hedges								
Interest rate swaps			0	(1)				0
Fair value hedges - total	**0**	**0**	**0**	**(1)**	**0**	**0**	**0**	**0**
Cash flow hedges	1	(24)	(23)	0	196			196
Forward currency contracts	1	(4)	(3)		79			79
Currency options	2	(1)	1			21		21
Interest rate swaps		(47)	(47)	9		1,250		1,250
Commodity and other swaps	1	(85)	(84)	2	215	21		236
Cash flow hedges - total	**5**	**(161)**	**(156)**	**11**	**490**	**1,292**	**0**	**1,782**
Derivatives not qualifying for hedge accounting								
Interest rate swaps	2		2	(9)		155		155
Cross-currency swaps			0	13				0
Currency swaps	72	(8)	64	5	2,648	12		2,660
Forward foreign exchange contracts	4	(2)	2	6	92			92
Derivatives not qualifying for hedge accounting - total	**78**	**(10)**	**68**	**15**	**2,740**	**167**	**0**	**2,907**
TOTAL	**83**	**(171)**	**(88)**	**25**	**3,230**	**1,459**	**0**	**4,689**
o/w derivatives used to hedge net debt	75	(59)	16	17				

- **Interest rate swaps**

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

- **Currency swaps**

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

- **Currency options and forward foreign exchange contracts**

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

- **Commodity and other swaps**

Commodity and other swaps are used to hedge the risk of changes in the price of certain purchases used in the subsidiaries' operating activities, particularly heavy fuel oil purchases in Europe and natural gas purchases in the United States and certain European countries.

Impact on equity of financial instruments qualifying for hedge accounting

At December 31, 2008, the cash flow hedging reserve carried in equity in accordance with IFRS had a credit balance of €156 million, breaking down as follows:

- €47 million unrealized loss corresponding to the remeasurement at fair value of interest rate swaps designated as cash flow hedges of the April 2007 bond issue.
- €109 million unrealized loss corresponding to the remeasurement at fair value of hedges of natural gas and fuel oil purchases, to be reclassified to income when the hedged items affect income.

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

Impact on income of financial instruments not qualifying for hedge accounting

The fair value of derivatives classified as financial assets and liabilities at fair value through profit or loss amounted to €68 million at December 31, 2008 (December 31, 2007: €15 million).

Embedded derivatives

Saint-Gobain regularly analyzes its contracts in order to separately identify financial instruments classified as embedded derivatives under IFRS. At December 31, 2008, no embedded derivatives deemed to be material at Group level were identified.

Group debt structure

The weighted average interest rate on total debt under IFRS, after hedging (using currency swaps and interest rate swaps) was 5.2% at December 31, 2008 (December 31, 2007: 5.1%). The average internal rates of return for the main components of long-term debt before hedging were as follows in 2008, 2007 and 2006:

Internal rate of return on long-term debt at December 31 (in %)

	2008	2007	2006
Bonds and Medium Term Notes	4.96	4.96	5.07
Perpetual bonds and participating securities	5.92	5.98	5.55
Acquisition-related bank borrowings	5.47	-	4.10

The table below presents the breakdown by currency and by interest rate (fixed or variable) of the Group's net debt at December 31, 2008, after giving effect to interest rate swaps and currency swaps.

Breakdown of net debt

	After hedging		
(in € millions)	Variable rate	Fixed rate	Total
EUR	1,674	8,144	9,818
GBP	101	628	729
USD	358	36	394
SEK	286	4	290
Other currencies	45	141	186
Total	**2,464**	**8,953**	**11,417**
	22%	78%	100%
Fair value of related derivatives			(16)
Accrued interest			278
Total net debt			**11,679**

Interest rate repricing schedule for financial assets and debt

The table below shows the interest rate repricing schedule at December 31, 2008 for debt and financial assets after hedging:

(in € millions)	Within 1 year	1 to 5 years	Beyond 5 years	Total
Gross debt	5,764	4,742	3,110	13,616
Impact of interest rate swaps	(1,250)	1,250		0
Cash and cash equivalents	(1,937)			(1,937)
Net debt after hedging	**2,577**	**5,992**	**3,110**	**11,679**

NOTE 20

Financial assets and liabilities

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

(in € millions)	Notes	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Loans and receivables				
Trade and other accounts receivable	(9)	7,071	7,692	7,691
Loans and deposits	(7)	214	199	219
Available-for-sale financial assets				
Available-for-sale and other securities	(7)	70	126	51
Financial assets at fair value through profit or loss				
Derivatives with a positive fair value (assets)	(19)	75	37	19
Cash and cash equivalents	(18)	1,937	1,294	1,468
Financial liabilities at amortized cost				
Trade and other accounts payable	(16)	(9,003)	(9,177)	(8,855)
Long- and short-term debt	(18)	(13,468)	(11,080)	(13,058)
Financial liabilities at fair value				
Long- and short-term debt	(18)	(164)	(159)	(18)
Derivatives recorded in liabilities	(19)	(59)	(20)	(10)

NOTE 21

Business income by expense type

(in € millions)	2008	2007	2006
Net sales	**43,800**	**43,421**	**41,596**
Personnel costs:			
Salaries and payroll taxes	(8,021)	(7,888)	(7,745)
Share-based payments[a]	(58)	(58)	(58)
Pensions	(173)	(199)	(226)
Depreciation and amortization	(1,511)	(1,521)	(1,522)
Other[b]	(30,388)	(29,647)	(28,331)
Operating income	**3,649**	**4,108**	**3,714**
Gains on disposals of assets[c]	53	394	175
Negative goodwill recognized in income	1	11	9
Other business income	**54**	**405**	**184**
Restructuring costs[d]	(190)	(172)	(213)
Provisions and expenses relating to claims and litigation[e]	(472)	(784)	(95)
Impairment of assets[f]	(181)	(375)	(211)
Other	(46)	(26)	(57)
Other business expense	**(889)**	**(1,357)**	**(576)**
Business income	**2,814**	**3,156**	**3,322**

(a) The cost of share-based payments under the Group Savings Plan amounted to €17 million in 2008 (2007: €16 million; 2006: €19 million) (see Notes 11 and 12). This cost was recognized in full at the end of the offer period, on April 10, 2008.

(b) This corresponds to the cost of goods sold by the Building Distribution Sector and transport costs, raw materials costs, and other production costs for the other Sectors. It also includes net foreign exchange gains or losses, representing a net gain of €18 million in 2008 (2007: virtually nil; 2006: net loss of €4 million).
In 2008, research and development costs recorded under operating expenses amounted to €377 million (2007: €393 million; 2006: €362 million).

(c) Gains on disposals of assets totaled €53 million in 2008 (2007: €394 million; 2006: €175 million). The increase in this item in 2007 was mainly due to the capital gain on the disposal of the Saint-Gobain Desjonquères group (see Note 2).

(d) Restructuring costs in 2008 mainly consisted of employee termination benefits in an amount of €127 million (2007: €105 million; 2006: €133 million).

(e) In all three years presented, provisions and expenses relating to claims and litigation corresponded for the most part to asbestos-related litigation and the provision for the competition litigation discussed in Notes 15 and 26.

(f) Impairment losses on assets in 2008 included €68 million on goodwill (2007: €82 million; 2006: €125 million), €6 million on intangible assets (2007: €6 million; 2006: €4 million) and €97 million on property, plant and equipment (2007: €106 million; 2006: €75 million). The balance corresponded to impairment losses on financial assets and current assets. In 2007, impairment losses also included a €161 million write-down of assets classified as held for sale (see Note 2).

NOTE 22

Net financial expense

Breakdown of other financial income and expense

(in € millions)	2008	2007	2006
Interest cost - pension and other post-employment benefit obligations	(428)	(440)	(428)
Return on plan assets	431	451	387
Interest cost - pension and other post-employment benefit obligations - net	**3**	**11**	**(41)**
Other financial expense	(71)	(115)	(102)
Other financial income	25	29	20
Other financial income and expense	**(43)**	**(75)**	**(123)**

Recognition of financial instruments

Net financial expense amounted to €750 million in 2008 (2007: €701 million; 2006: €748 million). Of this amount, €600.5 million (2007: €523.6 million; 2006: €492.3 million) concerned instruments carried by Compagnie de Saint-Gobain and Saint-Gobain Nederland at amortized cost. Instruments measured at fair value by these two entities resulted in a positive impact of €6.3 million (2007: €3.5 million; 2006: €1.6 million).

NOTE 23

Recurring net income and cash flow from operations

Recurring net income totaled €1,914 million in 2008 (2007: €2,114 million; 2006: €1,702 million). Based on the weighted average number of shares outstanding at December 31 (374,998,085 shares in 2008, 367,124,675 shares in 2007 and 341,048,210 shares in 2006), recurring earnings per share amounted to €5.10 in 2008, €5.76 in 2007 and €4.99 in 2006.

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

(in € millions)	2008	2007	2006
Net income	**1,378**	**1,487**	**1,637**
Less:			
Gains on disposals of assets	53	394	175
Impairment of assets	(181)	(375)	(211)
Provision for competition litigation	(400)	(694)	0
Non-recurring charges to provisions for warranties	(51)	0	0
Impact of minority interests	6	(2)	(3)
Tax impact	37	50	(26)
Recurring net income	**1,914**	**2,114**	**1,702**

Cash flow from operations for the year amounted to €3,487 million (2007: €3,762 million; 2006: €3,347 million). Excluding tax on capital gains and losses, cash flow from operations came to €3,487 million (2007: €3,712 million; 2006: €3,373 million).

These amounts are calculated as follows:

(in € millions)	2008	2007	2006
Net income attributable to equity holders of the parent	**1,378**	**1,487**	**1,637**
Minority interests in net income	59	56	45
Share in net income of associates, net of dividends received	(7)	(6)	(2)
Depreciation, amortization and impairment of assets	1,681	1,875	1,717
Gains and losses on disposals of assets	(53)	(394)	(175)
Charge to provision for competition litigation	400	694	0
Non-recurring charges to provisions for warranties	51	0	0
Unrealized gains and losses arising from changes in fair value and share-based payments	15	50	125
Cash flow from operations	**3,524**	**3,762**	**3,347**
Tax on capital gains and losses	(37)	(50)	26
Cash flow from operations before tax on capital gains and losses	**3,487**	**3,712**	**3,373**

NOTE 24

Earnings per share

The calculation of earnings per share is shown below.

(in € millions)	Net income attributable to equity holders of the parent	Number of shares	Earnings per share (in €)
2008			
Weighted average number of shares outstanding	1,378	374,998,085	3.67
Weighted average number of shares assuming full dilution	1,378	376,825,178	3.66
2007			
Weighted average number of shares outstanding	1,487	367,124,675	4.05
Weighted average number of shares assuming full dilution	1,487	374,344,930	3.97
2006			
Weighted average number of shares outstanding	1,637	341,048,210	4.80
Weighted average number of shares assuming full dilution	1,652 (1)	363,809,234	4.54

(1) In 2006, net interest on the Oceane convertible bonds (€15 million) was cancelled for the calculation of diluted earnings per share.

The weighted average number of shares outstanding is calculated by deducting treasury stock (4,545,149 shares at December 31, 2008) from the average number of shares outstanding during the year.
The weighted average number of shares assuming full dilution is calculated based on the weighted average number of shares outstanding, assuming conversion of all dilutive instruments. The Group's dilutive instruments include stock options – corresponding to a weighted average of 1,827,093 shares in 2008, 7,220,255 shares in 2007 and 5,284,991 shares in 2006 – and, for 2006, Oceane bonds convertible into 17,476,033 shares.

NOTE 25

Commitments

The Group's contractual obligations and commercial commitments are described below, except for commitments related to debt and financial instruments, which are discussed in Notes 18 and 19, respectively.
The Group has no other material commitments.

Obligations under finance leases

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

At December 31, 2008, €64 million of future minimum lease payments due under finance leases concerned land and buildings. Total assets under finance leases recognized in consolidated assets amounted to €201 million at December 31, 2008 (December 31, 2007: €190 million).

(in € millions)	2008	2007
Future minimum lease payments		
- within 1 year	48	48
- 1 to 5 years	106	96
- beyond 5 years	28	33
Total	**182**	**177**
Less finance charge	(17)	(21)
Present value of future minimum lease payments	**165**	**156**

Obligations under operating leases

The Group leases equipment, vehicles and office, manufacturing and warehouse space under various non-cancellable operating leases. Lease terms generally range from 1 to 9 years. The leases contain rollover options for varying periods of time and some include clauses covering the payment of real estate taxes and insurance. In most cases, management expects that these leases will be rolled over or replaced by other leases in the normal course of business.
Net rental expense was €696 million in 2008, corresponding to rental expense of €713 million – of which €437 million for property leases – less €17 million in revenue from subleases.

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

(in € millions)	Total 2008	Payments due			Total 2007
		Within 1 year	1 to 5 years	Beyond 5 years	
Operating leases					
Rental expense	3,246	641	1,507	1,098	3,090
Subletting revenue	(91)	(14)	(30)	(47)	(133)
Total	**3,155**	**627**	**1,477**	**1,051**	**2,957**

Non-cancellable purchase commitments

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

(in € millions)	Total 2008	Payments due Within 1 year	1 to 5 years	Beyond 5 years	Total 2007
Non-cancellable purchase commitments					
Non-current assets	131	119	10	2	317
Raw materials	684	232	346	106	717
Services	126	43	80	3	90
Other	220	129	82	9	152
Total	**1,161**	**523**	**518**	**120**	**1,276**

Guarantee commitments

In some cases, the Group grants seller's warranties to the buyers of divested businesses. A provision is set aside whenever a risk is identified and the related cost can be estimated reliably.
The Group also receives guarantees, amounting to €120 million at December 31, 2008 (December 31, 2007: €92 million).

Commercial commitments

(in € millions)	Total 2008	Payments due Within 1 year	1 to 5 years	Beyond 5 years	Total 2007
Security for borrowings	35	20	6	9	9
Written put options	0				0
Other commitments given	132	58	40	34	140
Total	**167**	**78**	**46**	**43**	**149**

At December 31, 2008, pledged assets amounted to €228 million (December 31, 2007: €242 million) and mainly concerned fixed assets in India.
Guarantees given to the Group in respect of receivables amounted to €89 million at December 31, 2008 (December 31, 2007: €115 million).

NOTE 26

Litigation

Asbestos-related litigation in France

In France, further individual lawsuits were filed in 2008 by former employees (or persons claiming through them) of Everite and Saint-Gobain PAM ("the employers") – which in the past had carried out fiber-cement operations – for asbestos-related occupational diseases, with the aim of obtaining supplementary compensation over and above the amounts paid by the French Social Security authorities in this respect. A total of 676 such lawsuits have been issued against the two companies since 1997.
At December 31, 2008, 567 of these 676 lawsuits had been completed in terms of both liability and quantum. In all of these cases, the employers were held liable on the grounds of "inexcusable fault".
Everite and Saint-Gobain PAM were held liable to pay a total amount of less than €2 million in compensation in settlement of these lawsuits.
Concerning the 109 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2008, the merits of 35 have been decided but the compensation awards have not yet been made, pending issue of medical reports. In 30 cases, the Social Security authorities were ordered to pay compensation to the victims for procedural reasons (statute of limitations, non-opposability). In the other five cases, no ruling has yet been handed down on the validity or otherwise of the lawsuit.
Out of the 74 remaining lawsuits, four were dismissed following a claim made to the French Asbestos Victims Compensation Fund (FIVA). At December 31, 2008, the procedures relating to the merits of the other 70 cases were at different stages: 11 were being investigated by the French Social Security authorities, 52 were pending before the Social Security courts and seven before the Courts of Appeal.

In addition, as of December 31, 2008, 110 suits based on inexcusable fault had been filed by current or former employees of 12 other French companies in the Group (excluding Saint-Gobain Desjonquères and Saint-Gobain Vetrotex, which have been sold), in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.
At December 31, 2008, eight lawsuits had been abandoned following the decision by the employees concerned to seek compensation from the French Asbestos Victims Compensation Fund (FIVA).
At that date, 64 lawsuits had been completed. In 12 of these cases, the employer was held liable for inexcusable fault. However, these rulings did not have any financial impact on the companies concerned.
For the 38 suits outstanding at December 31, 2008, arguments were being prepared by the French Social Security authorities in four cases, 22 were pending before the Social Security courts, ten before the Courts of Appeal and two before the French Court of Cassation.

Asbestos-related litigation in the United States

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

Developments in 2008

After three years marked by high numbers of claims filed against CertainTeed (60,000 in 2001, 67,000 in 2002, and 62,000 in 2003, compared with 19,000 in 2000), new claims filed fell to 18,000 in 2004, and subsequently dropped to 17,000 in 2005, to 7,000 in 2006, to 6,000 in 2007 and to about 5,000 in 2008.

This decline was felt over the last four years in most States, particularly in those which had seen the greatest numbers of claims in the previous years. This decline reflects State court rulings as well as changes in local legislation in various States to introduce stricter medical criteria for new claims.
Almost all of the claims against CertainTeed are settled out of court. Approximately 8,000 of the pending claims were settled out of court in 2008, compared with 54,000 in 2003, 20,000 in 2004 and in 2005, 12,000 in 2006, and 8,000 in 2007. In addition, approximately 3,000 claims (mainly in the State of New York) were transferred to “inactive dockets” further to court rulings. Taking into account the 74,000 outstanding claims at the end of 2007 and the new claims having arisen during the year, as well as claims settled or placed in inactive docket, some 68,000 claims were outstanding at December 31, 2008. A large number of these pending claims were filed more than five years ago by individuals without any significant asbestos-related impairment, and it is likely that many of these claims ultimately will be dismissed.

Impact on the Group’s accounts

The Group recorded a €75 million charge in 2008 to cover future developments in relation to claims involving CertainTeed. This amount is slightly lower than the €90 million recorded in 2007, the €95 million recorded in 2006, the €100 million recorded in 2005, the €108 million recorded in 2004, and the €100 million recorded in 2002 and 2003.
At December 31, 2008, the Group reserve for asbestos-related claims against CertainTeed in the United States amounted to €361 million (USD 502 million), compared to €321 million (USD 473 million) at December 31, 2007, and €342 million (USD 451 million) at December 31, 2006.

Cash flow impact

Compensation paid in respect of these claims against CertainTeed, including claims settled prior to 2008 but only paid out in 2008, and those fully resolved and paid in 2008, and compensation paid (net of insurance) in 2008 by other Group businesses in connection with asbestos-related litigation, amounted to €48 million (USD 71 million), compared to €53 million (USD 73 million) in 2007, and €67 million (USD 84 million) in 2006.

Outlook for 2009

No significant developments have been observed during the past few months, either in terms of new claims or in terms of compensation paid.
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 December 31, 2008 and they do not represent a material risk for the companies concerned.

Ruling by the European Commission following the investigation into the construction glass and automotive glass industries

In November 2007 and 2008, the European Commission issued its decisions concerning, respectively, the construction glass industry and the automotive glass industry.
In the November 28, 2007 decision concerning its investigation into construction glass manufacturers, the European Commission held that Saint-Gobain Glass France had violated Article 81 of the Treaty of Rome and fined the company €133.9 million. Compagnie de Saint-Gobain was held jointly and severally liable for the payment of this amount.
Compagnie de Saint-Gobain and Saint-Gobain Glass France decided not to appeal this decision and the fine was paid on March 3, 2008.
In the November 12, 2008 decision concerning its investigation into automotive glass manufacturers, the European Commission held that Saint-Gobain Glass France, Saint-Gobain Sekurit France and Saint-Gobain Sekurit Deutschland GmbH had violated Article 81 of the Treaty of Rome and fined them €896 million. Compagnie de Saint-Gobain was held jointly and severally liable for the payment of this amount.
The companies concerned believe the fine is excessive and disproportionate, and have appealed the decision before the Court of First Instance of the European Communities.
The European Commission has granted them a stay of payment until the appeal has been heard, in exchange for a bond covering the €896 million fine and the related interest, calculated at the rate of 5.25% from March 9, 2009. The necessary steps have been taken to set up this bond within the required timeframe.

As a result of these developments, the €694 million provision set aside at December 31, 2007, which was reduced to €560 million at June 30, 2008 following payment of the €134 million fine, was increased to €960 million at December 31, 2008 to cover the €896 million fine, together with the cost of the bond and the estimated legal cost over the appeal period. The additional €400 million set aside in the second half of 2008 was recorded in "Other business expense".

NOTE 27

Environment – Health – Safety (EHS)

Environmental assets

Costs incurred to mitigate or prevent environmental risks are capitalized when they are expected to generate future economic benefits that will flow to the Group. The costs relate to environmental management and clean-up equipment, investments in raw material and waste recycling solutions, measures to reduce consumption of energy and certain raw materials, as well as research into improving product life cycles.

Environmental liabilities

When the Group considers that it is exposed to an environmental risk, a provision for the estimated future cost is recorded in provisions for other liabilities and charges. Environmental provisions amounted to €158 million at December 31, 2008 (December 31, 2007: €146 million; December 31, 2006: €131 million).
The provisions are discounted on a case-by-case basis according to when the risk is expected to materialize. This is particularly the case for provisions covering the cost of dismantling and retiring assets and site restoration costs. However, when the timing of the risk cannot be estimated reliably, the provision is considered as short-term and is not discounted.
Environmental risks and manufacturing facilities governed by specific environmental regulations are overseen by the Environment, Health and Safety Department.

NOTE 28

Related-party transactions

Balances and transactions with associates

(in € millions)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Assets			
Financial receivables	2	2	11
Inventories	1	0	1
Short-term receivables	11	9	16
Cash and cash equivalents	0	0	1
Provisions for impairment in value	0	0	
Liabilities			
Short-term debt	4	1	7
Cash advances	0	0	4
Expenses			
Purchases	21	17	86
Income			
Sales	45	41	66

Revenue from transactions with proportionately consolidated companies

Transactions with proportionately consolidated companies are treated as transactions with external parties and the Group's share of revenue arising from such transactions is not eliminated on consolidation. In 2008, these revenues amounted to €8 million (2007: €4 million; 2006: €3 million).

Transactions with key shareholders

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

NOTE 29

Joint ventures

The amounts recorded in the 2008 balance sheet and income statement corresponding to the Group's interest in its proportionately consolidated companies are as follows:

- Non-current assets: €303 million.
- Current assets: €163 million.
- Non-current liabilities: €35 million.
- Current liabilities: €142 million.
- Sales: €320 million.
- Operating expenses: €257 million.

NOTE 30

Management compensation

Direct and indirect compensation and benefits paid to members of the Board of Directors and the Group's senior management were as follows in 2008:

(in € millions)	2008
Attendance fees	0.8
Direct and indirect compensation (gross):	
- fixed portion	8.0
- variable portion	5.4
Estimated compensation cost - pensions and other employee benefits (IAS 19)	1.4
Expense relating to stock options	10.7
Termination benefits	1.5
Total	**27.8**

Employers' social security contributions relating to the above compensation represented an estimated €3.3 million.

NOTE 31

Employees

Average number of employees	2008	2007	2006
Fully consolidated companies			
Managers	22,674	22,258	22,648
Administrative employees	84,589	82,734	80,078
Other employees	99,205	101,642	103,095
Total	**206,468**	**206,634**	**205,821**
Proportionately consolidated companies (*)			
Managers	126	42	52
Administrative employees	548	323	264
Other employees	911	650	702
Sub-total	**1,585**	**1,015**	**1,018**
TOTAL	**208,053**	**207,649**	**206,839**

* Proportion of headcount allocated to the Group.

At December 31, 2008, the total number of Group employees – including in proportionately consolidated companies – was 207,684 (December 31, 2007: 204,880; December 31, 2006: 205,864).

NOTE 32

Segment information

Segment information by sector and division

Segment information is presented as follows:

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

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

(in € millions) 2008	Innovative Materials		Construction Products				Building Distribution	Packaging	Other*	Total
	Flat Glass	High-Performance Materials	Interior Solutions	Exterior Solutions	Items eliminated	Total				
External sales	5,502	4,032	5,538	5,482		11,020	19,692	3,547	7	43,800
Internal sales	47	133	611	437	(33)	1,015	4	0	(1,199)	0
Net sales	5,549	4,165	6,149	5,919	(33)	12,035	19,696	3,547	(1,192)	43,800
Operating income/(loss)	701	543	592	478		1,070	894	442	(1)	3,649
Business income/(loss)	212	500	579	369		948	826	432	(104)	2,814
Share in net income/(loss) of associates		1	6	0		6	1	2	1	11
Depreciation and amortization	315	179	327	176		503	283	208	23	1,511
Impairment of assets	52	53	10	16		26	35	3	1	170
Net goodwill	181	1,213	3,559	2,258		5,817	3,217	243		10,671
Non-amortizable brands			710	0		710	1,803			2,513
Total segment assets **	**4,920**	**4,179**	**9,474**	**5,758**		**15,232**	**13,125**	**2,830**	**417**	**40,703**
Total segment liabilities ***	**2,626**	**1,045**	**1,823**	**1,679**		**3,502**	**4,041**	**916**	**1,726**	**13,856**
Investments during the year										
– Capital expenditure	576	223	529	236		765	298	283	18	2,163
– Businesses (net of cash acquired)	23	59	15	1,536		1,551	547	45	1	2,226
Cash flows from operations	733	437	480	405		885	650	510	309	3,524

* "Other" corresponds to a) the elimination of intragroup transactions for internal sales and b) holding company transactions for the other captions.

** The difference between total assets in the balance sheet and total segment assets corresponds to current and deferred taxes (€755 million) and cash and cash equivalents (€1,937 million).

*** The difference between total liabilities and equity in the balance sheet and total segment liabilities corresponds to equity (€14,530 million), current and deferred taxes (€1,393 million) and debt (€13,616 million).

(in € millions) 2007	Innovative Materials		Construction Products				Building Distri-bution	Packaging	Other*	Total
	Flat Glass	High-Perfor-mance Materials	Interior Solutions	Exterior Solutions	Items eliminated	Total				
External sales	5,577	4,629	6,002	4,187		10,189	19,478	3,542	6	43,421
Internal sales	34	123	626	329	(32)	923	2	4	(1,086)	0
Net sales	5,611	4,752	6,628	4,516	(32)	11,112	19,480	3,546	(1,080)	43,421
Operating income/(loss)	717	585	980	333		1,313	1,102	401	(10)	4,108
Business income/(loss)	(49)	333	962	281		1,243	1,069	688	(128)	3,156
Share in net income/(loss) of associates		3	7	0		7	2	1	1	14
Depreciation and amortization	347	216	318	141		459	276	209	14	1,521
Impairment of assets	73	225	9	31		40	19	(4)	1	354
Net goodwill	179	1,153	3,831	766		4,597	3,078	233		9,240
Non-amortizable brands			815	0		815	1,948			2,763
Total segment assets **	**4,976**	**4,238**	**9,994**	**3,516**		**13,510**	**13,580**	**2,758**	**281**	**39,343**
Total segment liabilities ***	**2,421**	**1,125**	**1,911**	**1,366**		**3,277**	**4,249**	**936**	**1,047**	**13,055**
Investments during the year										
– Capital expenditure	523	238	622	211		833	369	309	20	2,292
– Businesses (net of cash acquired)	18	22	98	93		191	500	(1)	20	750
Cash flows from operations	677	487	739	321		1,060	825	425	288	3,762

* "Other" corresponds to a) the elimination of intragroup transactions for internal sales and b) holding company transactions for the other captions.

** The difference between total assets in the balance sheet and total segment assets corresponds to current and deferred taxes (€501 million) and cash and cash equivalents (€1,294 million).

*** The difference between total liabilities and equity in the balance sheet and total segment liabilities corresponds to equity (€15,267 million), current and deferred taxes (€1,594 million) and debt (€11,222 million).

(in € millions) 2006	Innovative Materials		Construction Products				Building Distri-bution	Packaging	Other*	Total
	Flat Glass	High-Perfor-mance Materials	Interior Solutions	Exterior Solutions	Items eliminated	Total				
External sales	5,051	4,809	5,864	4,215		10,079	17,579	4,074	4	41,596
Internal sales	32	129	573	262	(38)	797	2	6	(966)	0
Net sales	5,083	4,938	6,437	4,477	(38)	10,876	17,581	4,080	(962)	41,596
Operating income/(loss)	480	500	1,028	348		1,376	1,001	376	(19)	3,714
Business income/(loss)	455	415	989	240		1,229	980	379	(136)	3,322
Share in net income/(loss) of associates	(8)	3	10	0		10	2			7
Depreciation and amortization	322	248	284	147		431	268	239	14	1,522
Impairment of assets	25	27	7	28		35	3	93	12	195
Net goodwill	189	1,380	3,962	722		4,684	2,826	248		9,327
Non-amortizable brands			856	0		856	1,987			2,843
Total segment assets **	**4,905**	**5,184**	**9,804**	**3,464**		**13,268**	**12,819**	**3,367**	**251**	**39,794**
Total segment liabilities ****	**1,738**	**1,491**	**2,009**	**1,392**		**3,401**	**4,115**	**1,218**	**747**	**12,710**
Investments during the year										
– Capital expenditure	448	226	632	214		846	328	336	24	2,208
– Businesses (net of cash acquired)	13	1	19	79		98	331	58		501
Cash flows from operations	529	432	726	322		1,048	817	402	119	3,347

* "Other" corresponds to a) the elimination of intragroup transactions for internal sales and b) holding company transactions for the other captions.

** The difference between total assets in the balance sheet and total segment assets corresponds to current and deferred taxes (€414 million) and cash and cash equivalents (€1,468 million).

*** The difference between total liabilities and equity in the balance sheet and total segment liabilities corresponds to equity (€14,487 million), current and deferred taxes (€1,412 million) and debt (€13,067 million).

Information by geographic area

(in € millions)	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	Total
2008						
Net sales	13,076	19,941	5,499	7,404	(2,120)	**43,800**
Total segment assets	11,322	16,938	5,672	6,771		**40,703**
Capital expenditure	565	684	221	693		**2,163**

(in € millions)	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	Total
2007						
Net sales	12,931	19,905	5,793	6,921	(2,129)	**43,421**
Total segment assets	11,031	16,110	5,538	6,664		**39,343**
Capital expenditure	550	699	372	671		**2,292**

(in € millions)	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	Total
2006						
Net sales	12,528	18,448	6,790	5,933	(2,103)	**41,596**
Total segment assets	10,990	16,219	5,981	6,604		**39,794**
Capital expenditure	499	751	363	595		**2,208**

The geographical breakdown of external sales for 2008, 2007 and 2006 is as follows:

(in € millions)	France	Other Western European countries	North America	Emerging countries and Asia	Total
2008					
Net sales	11,499	19,253	5,262	7,786	**43,800**
2007					
Net sales	11,388	19,350	5,563	7,120	**43,421**
2006					
Net sales	10,874	17,853	6,618	6,251	**41,596**

NOTE 33

Principal fully consolidated companies

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

Principal fully consolidated companies at December 31, 2008		% interest (held directly and indirectly)
INNOVATIVE MATERIALS SECTOR - FLAT GLASS		
Saint-Gobain Glass France	France	100.00%
Saint-Gobain Sekurit France	France	100.00%
Saint-Gobain Sekurit Deutschland GmbH & CO Kg	Germany	99.91%
Saint-Gobain Glass Deutschland GmbH	Germany	99.91%
SG Deutsche Glas GmbH	Germany	99.91%
Saint-Gobain Glass Benelux	Belgium	99.77%
Saint-Gobain Sekurit Benelux SA	Belgium	99.91%
Saint-Gobain Autover Distribution SA	Belgium	99.91%
Koninklijke Saint-Gobain Glass	Netherlands	99.77%
Saint-Gobain Glass Polska Sp Zoo	Poland	99.91%
Cebrace Cristal Plano Ltda	Brazil	50.00%
Saint-Gobain Do Brazil Ltda	Brazil	100.00%
Saint-Gobain Cristaleria SA	Spain	99.72%
Solaglas Ltd	United Kingdom	99.97%
Saint-Gobain Glass Italia	Italy	100.00%
Saint-Gobain Sekurit Italia	Italy	100.00%
Hankuk Glass Industries	South Korea	80.47%
Hankuk Sekurit Limited	South Korea	90.11%
Saint-Gobain Glass India	India	97.82%
Saint-Gobain Glass Mexico	Mexico	99.72%
INNOVATIVE MATERIALS SECTOR - HIGH-PERFORMANCE MATERIALS		
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 Ltda	Brazil	100.00%
Saint-Gobain Abrasives BV	Netherlands	99.92%
Saint-Gobain Abrasives Ltd	United Kingdom	99.97%
Saint-Gobain Vertex SRO	Czech Republic	100.00%
CONSTRUCTION PRODUCTS SECTOR		
Interior Solutions		
Saint-Gobain Isover	France	100.00%
Saint-Gobain Isover G+H AG	Germany	99.91%
CertainTeed Corporation	United States	100.00%
Saint-Gobain Ecophon Group	Sweden	99.98%
Saint-Gobain Construction Product Russia Insulation	Russia	100.00%
BPB Plc	United Kingdom	100.00%
CertainTeed Gypsum & Ceilings USA	United States	100.00%
CertainTeed Gypsum Canada Inc.	Canada	100.00%
BPB Gypsum (Pty) Ltd	South Africa	100.00%
Saint-Gobain Placo Iberica	Spain	100.00%

Principal fully consolidated companies at December 31, 2008		% interest (held directly and indirectly)
BPB Italia SpA	Italy	100.00%
British Gypsum Ltd	United Kingdom	100.00%
Gypsum Industries Ltd	Ireland	100.00%
Placoplatre SA	France	99.75%
Rigips GmbH	Germany	100.00%
Thai Gypsum Products PLC	Thailand	99.66%
Exterior Solutions		
Saint-Gobain Weber	France	99.99%
Saint-Gobain Do Brazil Ltda	Brazil	100.00%
Saint-Gobain Weber Cemarksa SA	Spain	99.99%
Maxit Group AB	Sweden	99.99%
Maxit Deutschland GmbH	Germany	99.99%
CertainTeed Corporation	United States	100.00%
Saint-Gobain PAM SA	France	100.00%
Saint-Gobain Gussrohr KG	Germany	100.00%
Saint-Gobain Pipelines Plc	United Kingdom	99.97%
Saint-Gobain Canalizacion SA	Spain	99.94%
Saint-Gobain PAM Italia SpA	Italy	100.00%
Saint-Gobain Canalizaçao SA	Brazil	100.00%
Saint-Gobain Xuzhou Pipe Co Ltd	China	100.00%
BUILDING DISTRIBUTION SECTOR		
Distribution Sanitaire Chauffage	France	100.00%
Lapeyre	France	100.00%
Point.P	France	100.00%
Saint-Gobain Distribucion y Construccion	Spain	100.00%
Saint-Gobain Building Distribution Deutschland GmbH	Germany	100.00%
Saint-Gobain Building Distribution Ltd	United Kingdom	99.97%
Saint-Gobain Distribution The Netherlands BV	Netherlands	100.00%
Saint-Gobain Distribution Nordic AB	Sweden	100.00%
Optimera A/S	Norway	100.00%
Optimera Danmark A/S	Denmark	100.00%
Sanitas Troesch	Switzerland	100.00%
Norandex Building Material Distribution Inc	United States	100.00%
PACKAGING SECTOR		
Saint-Gobain Emballage	France	100.00%
Saint-Gobain Vidros SA	Brazil	100.00%
Saint-Gobain Oberland AG	Germany	96.67%
Saint-Gobain Vicasa SA	Spain	99.64%
Saint-Gobain Containers Inc	United States	100.00%
Saint-Gobain Vetri SpA	Italy	99.99%

NOTE 34

Subsequent events

On January 14, 2009, Compagnie de Saint-Gobain placed a €1 billion five-and-a-half-year 8.25% bond issue.
The issue proceeds, which were received on January 26, will be used to refinance the Group's existing debt and extend its average maturity.

Statutory Auditors' report

on the consolidated financial statements

Year ended December 31, 2008

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2008, on:

- the audit of the accompanying financial statements of Compagnie de Saint-Gobain;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting policies used and the significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of Compagnie de Saint-Gobain and its subsidiaries as at December 31, 2008, and of the results of their operations for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

II - Justification of our assessments

Accounting estimates used for the preparation of the consolidated financial statements for the year ended December 31, 2008 have been made in the context of a sharp deterioration in the general economic and financial environment which makes assessing the business outlook difficult, as described in Note 1 to the consolidated financial statements (Estimates and assumptions). Against this backdrop, and in accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- **Measurement of property, plant and equipment and intangible assets**

The Group regularly carries out impairment tests on its property, plant and equipment, goodwill and other intangible assets, and also assesses whether there is any indication of impairment of property, plant and equipment and amortizable intangible assets, based on the methods described in Note 1 to the consolidated financial statements (section "Impairment of assets"). We examined the methods applied in implementing these tests and the estimates and assumptions used, and we verified that the information disclosed in Note 1 is appropriate.

- **Employee benefits**

The methods applied for assessing employee benefits are set out in Note 1 to the consolidated financial statements (section "Employee benefits – defined benefit plans"). These benefit obligations were reviewed by independent actuaries. Our work consisted of assessing the data and assumptions used, examining, on a test basis, the calculations performed and verifying that the information disclosed in Notes 1 and 13 to the consolidated financial statements is appropriate.

- **Provisions**

As specified in Note 1 to the consolidated financial statements (section "Other current and non-current liabilities and provisions"), the Group books provisions to cover risks. The types of provisions recorded under "Other non-current liabilities and provisions" are described in Note 15 to the consolidated financial statements. Based on the information available at the time of our audit, we ensured that the methods and data used to determine provisions, particularly that relating to the European Commission's decision concerning the automotive glass industry, as well as the disclosures regarding said provisions provided in the notes to the consolidated financial statements, are appropriate.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the unqualified opinion we formed which is expressed in the first part of this report.

III - Specific verification

As required by law, we have also verified the information given in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, March 19, 2009

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG Audit
Division of KPMG S.A.

Pierre Coll   Rémi Didier

Jean Gatinaud   Jean-Paul Vellutini

Financial statements
of Compagnie de Saint-Gobain

(Parent Company)

Income statement

at December, 31

(in € thousands)		2008	2007	2006
Operating revenue				
Royalties and license fees		123,257	122,813	112,190
Other services		76,044	68,856	68,396
Net revenue		199,301	191,669	180,586
Write-backs of depreciation, amortization, impairment and provisions		11,589	7,727	16,057
Expense transfers		5,308	8,519	2,358
Other operating income		355	85	93
	Total I	**216,553**	**208,000**	**199,094**
Operating expenses				
Other purchases and external charges		(123,046)	(126,212)	(113,665)
Taxes other than on income		(5,967)	(6,103)	(5,046)
Wages and salaries		(36,855)	(38,021)	(36,648)
Payroll taxes		(17,533)	(17,636)	(17,046)
Depreciation, amortization, impairment and provisions		(22,536)	(17,328)	(10,140)
Other operating expense		(2,766)	(2,593)	(2,607)
	Total II	**(208,703)**	**(207,893)**	**(185,152)**
OPERATING INCOME		7,850	107	13,942
Share in profits/(losses) of joint ventures		–	–	–
Profits	**Total III**	–	–	–
Losses	**Total IV**	–	–	–
Financial income				
Income from investments in subsidiaries and affiliates		985,604	548,741	457,288
Income from loans and other investments		835,876	690,434	532,540
Income from other non-current investment securities		21	33	46
Other interest income		154,095	86,915	114,187
Write-backs of impairment and provisions, expense transfers		11,764	50,405	81,639
Foreign exchange gains		43,929	46,347	138,458
Net income from sales of marketable securities		14,932	7,902	-
	Total V	**2,046,221**	**1,430,777**	**1,324,158**
Financial expense				
Amortization, impairment and provisions		(23,034)	(14,132)	(79,720)
Interest expense		(889,085)	(702,680)	(628,619)
Foreign exchange losses		(33,653)	(43,715)	(146,390)
Net losses on sales of marketable securities			-	-
	Total VI	**(945,772)**	**(760,527)**	**(854,729)**
Net financial income (Note 2)		**1,100,449**	**670,250**	**469,429**
INCOME BEFORE TAX AND EXCEPTIONAL ITEMS		1,108,299	670,357	483,371

(in € thousands)		2008	2007	2006
Exceptional income				
On revenue transactions		4,709	894	212
On capital transactions		52,880	81,285	3,105,209
Write-backs of depreciation, amortization, impairment and provisions		10,620	61,612	323,020
	Total VII	68,209	143,791	3,428,441
Exceptional expense				
On revenue transactions		(11,950)	(5,191)	(7,717)
On capital transactions		(56,608)	(128,757)	(3,133,030)
Depreciation, amortization, impairment and provisions		(4,894)	(69,346)	(71,872)
	Total VIII	(73,452)	(203,294)	(3,212,619)
Net exceptional (expense)/income (Note 3)		(5,243)	(59,503)	215,822
Income taxes (Note 4)	Total IX	160,471	260,296	149,994
Total income		2,330,983	2,247,175	5,101,687
Total expenses		(1,067,456)	(1,376,025)	(4,252,500)
NET INCOME		1,263,527	871,150	849,187

Balance sheet

at December, 31

ASSETS (in € thousands)	2008 Gross	2008 Depreciation, amortization, and impairment	2008 Net	2007	2006
Non-current assets					
Intangible assets (Note 5)					
Goodwill [1]	567	(567)	–	23	45
Other intangible assets	43,350	(36,288)	7,062	11,609	10,845
Intangible assets in progress	3,221		3,221	1,153	4,380
Property and equipment (Note 6)					
Land	620		620	620	620
Buildings	13,799	(980)	12,819	12,439	211
Other	9,809	(5,760)	4,049	1,855	2,117
Assets under construction	1,129		1,129	2,795	10,426
Financial investments [2] (Note 7)					
Investments in subsidiaries and affiliates	9,067,897	(639)	9,067,258	8,119,991	7,718,746
Loans and advances to subsidiaries and affiliates	12,667,017		12,667,017	11,724,206	11,439,395
Other investment securities	193,896	(66,494)	127,402	148,473	226,914
Other loans	1,000,373		1,000,373	902,005	639,158
Other financial investments	459		459	584	604
Total I	**23,002,137**	**(110,728)**	**22,891,409**	**20,925,753**	**20,053,461**
CURRENT ASSETS (Note 8)					
Other receivabless [3]	3,384,266		3,384,266	2,525,316	2,688,401
Marketable securities	1,224,550	–	1,224,550	50,100	–
Cash and cash equivalents	28,642		28,642	55,883	11,485
Accruals					
Prepayments [3]	4,820	–	4,820	2,219	3,630
Total II	**4,642,278**	**–**	**4,642,278**	**2,633,518**	**2,703,516**
Deferred charges **Total III**	**26,410**	**–**	**26,410**	**24,053**	**29,996**
Translation losses Total IV	**–**	**–**	**–**	**39**	**283**
TOTAL ASSETS	**27,670,825**	**(110,728)**	**27,560,097**	**23,583,363**	**22,787,256**
(1) including leasehold rights	–	–	–	–	–
(2) of which due within one year			2,639,381	2,710,071	2,185,787
(3) of which due beyond one year	–	–	2,878	3,166	11,044

SHAREHOLDERS’ EQUITY AND LIABILITIES (in € thousands)		2008	2007	2006
SHAREHOLDERS’ EQUITY (Note 9)				
Capital stock		1,530,288	1,496,865	1,473,679
Additional paid-in capital		3,786,714	3,467,466	3,167,609
Revaluation reserve		55,532	55,532	56,242
Other reserves:				
Legal reserve [a]		153,029	149,686	147,368
Untaxed reserves		2,617,758	2,617,758	2,617,757
Other reserves		301,428	301,428	301,428
Unappropriated retained earnings		1,610,624	1,506,206	1,278 081
Net income for the year		1,263,527	871,150	849,187
Untaxed provisions **(Note 11)**		6,439	6,438	6,439
	Total I	**11,325,339**	**10,472,529**	**9,897,790**
OTHER EQUITY (Note 10)				
Non-voting participating securities	**Total I bis**	**170,035**	**170,035**	**170,035**
PROVISIONS (Note 11)				
Provisions for contingencies		84,048	88,326	79,842
Provisions for charges		67,434	62,193	56,242
	Total II	**151,482**	**150,519**	**136,084**
LIABILITIES [1] (Note 12)				
Bonds		6,258,699	5,680,066	3,206,394
Bank borrowings [2]		2,292,346	201,747	3,529,223
Other borrowings		7,174,125	6,807,481	5,695,018
Tax and social charges payable		113,379	57,769	88,192
Other payables		74,675	42,012	63,853
Accruals				
Deferred income		–	–	–
	Total III	**15,913,224**	**12,789,075**	**12,582,680**
Translation gains	**Total IV**	**17**	**1,205**	**667**
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES		**27,560,097**	**23,583,363**	**22,787,256**
(a) of which long-term capital gains reserve		14,225	14,225	14,225
(1) of which due beyond one year		9,820,722	8,608,975	9,220,071
of which due within one year		6,092,502	4,180,101	3,362,609
(2) of which short-term bank loans and overdrafts		83,489	29,388	273,498

Cash flow statement

(in € thousands)	2008	2007	2006
Net income	**1,263,527**	**871,150**	**849,187**
Depreciation and amortization	2,245	9,911	15,383
Changes in provisions	14,255	(28,849)	(274,529)
Gains and losses on disposals of assets, net	(1,359)	41,396	27,821
Net cash from operations	**1,278,668**	**893,608**	**617,862**
(Increase) decrease in other receivables	(868,743)	156,228	12,238
Reclassification to receivables of subsidiaries' current accounts [1]	–	–	(2,625,046)
Increase (decrease) in taxes and social charges payable	55,610	(30,423)	25,174
Increase (decrease) in other payables	41,602	(12,902)	56,332
Net change in working capital	**(771,531)**	**112,903**	**(2,531,302)**
Net cash from/(used in) operating activities	**507,137**	**1,006,511**	**(1,913,440)**
Acquisitions of intangible assets	(2,508)	(3,283)	(3,680)
Acquisitions of property and equipment	(1,992)	(5,658)	(8,169)
Proceeds from disposals of property and equipment and intangible assets	-	1,353	63
Acquisitions of investments in subsidiaries and affiliates and other investment securities	(993,002)	(402,821)	(2,968,279)
Acquisitions of treasury stock	–	–	(109,449)
Proceeds from disposals of investments in subsidiaries and affiliates and other investment securities	52,880	79,932	3,105,146
(Increase) decrease in loans and advances to subsidiaries and affiliates	(942,811)	(284,811)	(1,108,256)
(Increase) decrease in long-term loans	(98,368)	(262,847)	838,477
(Increase) decrease in other financial investments	125	20	9
Net cash used in investing activities	**(1,985,676)**	**(878,115)**	**(254,138)**
Issues of capital stock	356,015	325,361	1,146,658
Dividends paid	(766,732)	(621,062)	(459,483)
Increase (decrease) in unappropriated retained earnings	–	–	–
Increase (decrease) in revaluation reserves	–	–	–
Increase (decrease) in other equity	–	–	–
Increase (decrease) in provisions for contingencies and charges	1,611	2,490	(6,769)
Increase (decrease) in short- and long-term debt	1,639,661	(661,271)	(712,799)
Increase (decrease) in bank overdrafts and other short-term debt	1,396,215	919,929	(256,539)
Decrease (increase) in marketable securities	(1,174,323)	(50,227)	–
Increase (decrease) in translation adjustments	(1,149)	782	(420)
Net cash from/(used in) financing activities	**1,451,298**	**(83,998)**	**(289,352)**
Increase (decrease) in cash and cash equivalents	**(27,241)**	**44,398**	**(2,456,930)**
Cash and cash equivalents at beginning of year	55,883	11,485	2,468,415
Cash and cash equivalents at end of year [1]	28,642	55,883	11,485
Analysis of cash and cash equivalents at December 31			
Cash at bank	28,642	55,880	11,477
Cash on hand	–	3	8
Total	28,642	55,883	11,485

(1) Since December 31, 2006, subsidiaries' current accounts in debit have been included in other receivables. These items were previously reported in cash and cash equivalents. At December 31, 2006, current accounts reclassified to other receivables totaled €2,625,046.

Notes
to the parent company financial statements

The financial statements cover the twelve-month period from January 1 to December 31, 2008.

The following notes form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on February 19, 2009.

NOTE 1

Accounting principles and methods

The financial statements of Compagnie de Saint-Gobain have been drawn up in accordance with the accounting principles set out in the 1999 French Chart of Accounts.
They include the accounts of the Company's German branch.

Intangible assets

Purchased goodwill that is not legally protected is amortized over 25 years. Other intangible assets consist mainly of computer software. They are measured at cost and amortized over a period of three or four years.

Property and equipment

Property and equipment are stated at cost (purchase price plus incidental expenses), except for assets acquired prior to December 31, 1976 which have been revalued.
They are depreciated over their estimated useful lives using the straight-line or declining-balance method. The most commonly used useful lives are as follows:

Buildings	40 to 50 years	Straight-line
Improvements and additions	12 years	Straight-line
Fixtures and fittings	5 to 12 years	Straight-line
Office furniture	10 years	Straight-line
Office equipment	5 years	Straight-line
Vehicles	4 years	Straight-line
Computer equipment	3 years	Straight-line or declining-balance

Investments in subsidiaries and affiliates, other investment securities and other financial investments

On initial recognition, investments in subsidiaries and affiliates are stated at cost excluding any incidental expenses. They are subsequently measured at the lower of cost and fair value. Fair value is estimated at each balance sheet date based on the Company's equity in the underlying net assets and the proportion of consolidated net assets represented by the investment. Specific impairment tests may be performed on a case-by-case basis, to determine the net present value of future cash flows, excluding interest expense but after tax, based on business plans or long-term budget projections. No unrealized capital gain is recorded if fair value exceeds cost, and unrealized gains and losses are not offset. Compagnie de Saint-Gobain shares held by the Company at year-end for allocation upon exercise of stock options are recorded in the balance sheet under "Other investment securities". They are carried at the lower of cost, market price or the option exercise price when the exercise of the options is probable.

Receivables

Receivables are stated at the lower of their nominal value and recoverable amount.

Marketable securities

Marketable securities mainly include units in money-market funds (SICAV) and are stated at the lower of cost and market.

Foreign currency transactions

Income and expenses in foreign currencies are recorded at the exchange rate prevailing on the transaction date. Receivables, payables and bank balances in foreign currencies are converted at the year-end exchange rate, along with the related hedging instruments, and the differences arising on translation are recorded in the balance sheet under "Translation gains" or "Translation losses". Provisions are booked for any translation losses that are not hedged.

Risk management/Financial instruments

Liquidity risk is managed with the main objective of ensuring that the Group's existing facilities are rolled over at maturity, while at the same time optimizing annual borrowing costs. For this reason, long-term debt consistently represents a significant proportion of total net debt, while repayment profiles are designed to ensure that new debt issues are spread over several years.
Compagnie de Saint-Gobain manages, mainly on behalf of its subsidiaries, the hedging of currency, interest rate, and commodity (fuel oil, gas) price risks resulting from the Group's international activities.
Currency risks are hedged mainly by forward purchase and sale contracts and currency options. The hedged receivables and payables are recorded in the balance sheet at the hedging rate.
The portion of the gain or loss on currency options representing the extrinsic (time) value is taken to income, and the portion representing the intrinsic value is recorded in the balance sheet. Unrealized losses on currency options that do not qualify for hedge accounting are recognized in the income statement, whereas unrealized gains are not recognized.
At December 31, 2008, Compagnie de Saint-Gobain had no outstanding currency options.
The Company uses interest rate swaps and options (caps and floors) as well as forward rate agreements to hedge its exposure to fluctuations in interest rates.
Financial income and expenses on interest rate swaps are recognized in the income statement on a symmetrical basis with the income and expenses on the hedged items.
The portion of the gain or loss on interest rate options representing the extrinsic (time) value is taken to income, and the portion representing the intrinsic value is recorded in the balance sheet. Interest rate options that do not qualify for hedge accounting are recognized in the income statement at market value.
Subsidiaries' commodity price risks are hedged by the Company, mainly by using commodity swaps (fuel oil and gas).
Financial income and expenses on commodity swaps are recognized in the income statement on a symmetrical basis with the income and expenses on the hedged items.

Tax consolidation agreements

Compagnie de Saint-Gobain was previously assessed for income tax on its worldwide taxable income as provided for under Article 209 *quinquies* of the French Tax Code. The last period covered by the agreement was 2004-2006. The Company chose not to renew the agreement for the accounting period starting January 1, 2007.
Since that date, the Company has applied the group relief regime provided for in Articles 223 A et seq. of the French Tax Code.
A provision is recorded in the Company's accounts for the taxes that may be payable in future periods following the return to profit of members of the tax group whose tax losses have been used by the Company. Movements in this provision are recorded under exceptional items.
Under the group relief agreements between Compagnie de Saint-Gobain and the subsidiaries in the tax group, the Company is not required to transfer tax benefits (*via* a cash payment) to subsidiaries when they return to profit or leave the tax group. No such tax benefits have been transferred by Compagnie de Saint-Gobain to its subsidiaries in the past.

NOTE 2

Net financial income

Net financial income rose €430.2 million to €1,100.5 million in 2008 compared with €670.3 million in 2007, reflecting:
- €436.9 million growth in dividend income from subsidiaries and affiliates.
- A €33.2 million rise in income from loans and investments, net of interest expense.
- A €7.4 million increase in net foreign exchange gains (after the impact of provisions).

Changes in amortization and impairment of financial assets represented a net expense of €11.3 million in 2008 as opposed to net income of €36.0 million in 2007, reducing net financial income by €47.3 million year-on-year. The negative impact stemmed from:

- A €37.6 million decrease in provision reversals to offset losses on sales of Compagnie de Saint Gobain shares recorded in exceptional expense. These losses represented just €2.3 million in 2008 compared with €39.9 million in 2007, reflecting the sharp drop in the number of stock options exercised during the year (115,490 options versus 2,460,265 in prior year).
- A €17.9 million write-down of Compagnie de Saint-Gobain shares held for allocation on exercise of stock options. Write-downs were recorded in all cases where the weighted average share price for the month of December was less than the option exercise price.
- These unfavorable changes were partly offset by an €8.9 million decrease in amortization of debt issuance costs.

NOTE 3

Exceptional income and expense

The Company reported net exceptional expense of €5.2 million in 2008, primarily comprising:

- A €1.7 million gain on the transfer of the entire capital of Saint-Gobain SFM to Vertec, as part of an internal reorganization.
- A €2.3 million loss on Compagnie de Saint-Gobain shares sold upon exercise of stock options, which was offset by a write-back from the provision for impairment of the shares recognized in financial income. However, for the first time in 2008, in line with the new tax rules (published in the Bulletin Officiel des Impôts issue no. 4N-1-08 dated April 9, 2008), the loss was billed to the companies that employed the option holders at the grant date, in order to preserve its deductibility. The amount billed, representing taxable income, came to €2.0 million and was included in exceptional items.
- A net loss of €6.4 million on sales of the Company's shares under the liquidity contract managed by Exane.
- Net write-backs of provisions for taxes in the amount of €6.4 million.
- €5.1 million in expenses to prepare the sale of investments in subsidiaries and affiliates.
- €0.9 million in expenses corresponding to the Company's total funding commitment, as co-founder, to the Saint-Gobain Initiatives international corporate foundation (including €0.1 million for 2008 and €0.8 million for the years 2009 to 2012).

NOTE 4

Income taxes

The Company recorded a net income tax benefit of €160.5 million in 2008, corresponding primarily to:

- French group relief of €141.7 million for 2008, net of income tax expense of €60.5 million due by Compagnie de Saint-Gobain on a stand-alone basis.
- Net income tax expense of €8 million in respect of tax reassessments and adjustments related to prior years.
- A tax benefit of €27.0 million for the Company's German branch under the German group relief regime *(Organschaft)*.

NOTE 5

Intangible assets

(in € thousands)	Intangible assets: Gross at January 1, 2008	Additions	Disposals	Gross at December 31, 2008	Amortization: Accumulated at January 1, 2008	Increases	Decreases	Accumulated at December 31, 2008
Purchased goodwill	567	–	–	567	545	22	–	567
Other intangible assets	42,911	439	–	43,350	31,302	4,986	–	36,288
Greenhouse gas emissions allowances	–	–	–	-	-	-	-	–
Intangible assets in progress	1,153	2,068	-	3,221	-	-	-	–
	44,631	**2,507**	**–**	**47,138**	**31,847**	**5,008**	**–**	**36,855**

NOTE 6

Property and equipment

(in € thousands)	Property and equipement: Gross at January 1, 2008	Additions	Disposals	Gross at December 31, 2008	Depreciation: Accumulated at January 1, 2008	Increases	Decreases	Accumulated at December 31, 2008
Land	620	-	-	620	-	-	-	-
Buildings	12,783	1,016	–	13,799	344	636	–	980
Other	7,168	2,644	(2)	9,809	5,312	450	(2)	5,760
Assets under construction	2,738	–	(1,609)	1,129	-	-	-	-
Prepayments	57	–	(57)	–	-	-	-	-
	23,366	**3,660**	**(1,668)**	**25,357**	**5,656**	**1,086**	**(2)**	**6,740**

The negative amount shown on the "Assets under construction" line under "Disposals" corresponds to capital expenditure for the year less the value of assets put into service during the year and reclassified to a property or equipment account.

NOTE 7

Financial investments

Financial investments:

(in € thousands)	Gross at January 1, 2008	Financial investments: Additions	Disposals	Gross at December 31, 2008
Investments in subsidiaries and affiliates	8,120,630	1,226,802	(279,535)	9,067,897
Loans and advances to subsidiaries and affiliates	11,724,206	27,075,291	(26,132,480)	12,667,017
Other investment securities	199,682	–	(5,786)	193,896
Other loans	902,005	4,917,432	(4,819,064)	1,000,373
Other financial investments	584	122	(247)	459
	20,947,107	**33,219,647**	**(31,237,112)**	**22,929,642**

Changes in investments in subsidiaries and affiliates

(in € thousands)	Additions	Disposals
Participation in the rights issue by SG Matériaux de Construction	985,000	
Participation in the rights issue by Saint-Gobain Campus	8,000	
Purchase of SG Isover G+H shares (German branch)	2	
Disposal of Saint-Gobain SFM		45,735
Internal restructuring operations		
1 SG Vidros demerger		83,144
Transfer to SG Do Brasil	83,144	
2 São Laurenço demerger		109,559
Transfer to Jarvis Participacoes LTDA	77,302	
Transfer to Peslogro Participacoes LTDA	32,257	
3 Merger of Peslogro Participacoes LTDA into SG Vidros	32,257	32,257
4 Merger of Valfix into International Saint-Gobain	8,838	8,838
5 Merger of Santa Claudia into SG do Brasil	2	2
Total	**1,226,802**	**279,535**

Analysis of loans, receivables and other financial investments by maturity

(in € thousands)	Total	Due	
		Within one year	Beyond one year
Loans and advances to subsidiaries and affiliates	12,667,017	1,639,166	11,027,851
Other loans	1,000,373	1,000,215	158
Other	459	-	459
Total	**13,667,849**	**2,639,381**	**11,028,468**

Changes in other investment securities

(in € thousands)	Additions	Disposals
Sales of Compagnie de Saint-Gobain shares	–	5,726
Other sales of shares	–	60
Total	**–**	**5,786**

Changes in Compagnie de Saint-Gobain shares held by the Company

	Number of shares held	Gross value (in € thousands)	Net (in € thousands)
At December 31, 2005	**8,383,161**	**372,857**	**305,649**
Shares purchased in 2006	1,976,708	109,449	109,449
Shares sold in 2006	(3,620,201)	(164,632)	(125,582)
Shares cancelled in 2006	–	–	–
Adjustments to provision for impairment in value	–	–	(62,937)
At December 31, 2006	**6,739,668**	**317,674**	**226,579**
Shares purchased in 2007	–	–	–
Shares sold in 2007	(2,460,265)	(118,317)	(78,368)
Shares cancelled in 2007	–	–	–
Adjustments to provision for impairment in value	–	–	–
At December 31, 2007	**4,279,403**	**199,357**	**148,211**
Shares purchased in 2008	–	–	–
Shares sold in 2008	(115,490)	(5,726)	(3,398)
Shares cancelled in 2008	–	–	–
Adjustments to provision for impairment in value [1]	–	–	(17,631)
At December 31, 2008	**4,163,913**	**193,631**	**127,182**

(1) Write-down of Compagnie de Saint-Gobain shares held for allocation on exercise of stock options at December 31, 2008. Write-downs were recorded in all cases where the weighted average share price for the month of December (€33.33) was less than the option exercise price.

The 4,163,913 shares shown in the table above are held in connection with stock option plans.

The Company also holds 311,713 of its own shares in connection with a liquidity agreement (see Note 8 "Marketable securities"), bringing the total number of own shares held to 4,475,626 at December 31, 2008.

NOTE 8

Current assets

Maturities of receivables reported under "Current assts":

(in € thousands)	Gross	Due: Within one year	Due: Beyond than one year
Other receivables	3,384,266	3,382,009	2,257
Prepayments	4,820	4,469	351
Total	**3,389,086**	**3,386,478**	**2,608**
Provision for doubtful receivables	–	–	–

Analysis of "Other receivables"

(in € thousands)	2008	2007	2006
Current account advances to subsidiaries	3,268,448	2,358,868	2,625,046
Mark-to-market adjustments to swaps and options (1)	78,277	–	–
Accounts receivable – Group	26,227	29,305	32,133
Income tax prepayments	2,057	103,329	14,260
Recoverable withholding tax	153	177	167
Dividends receivable – Group	1,442	27,239	10,361
Other	7,662	6,398	6,434
Total	**3,384,266**	**2,525,316**	**2,688,401**

(1) Mark-to-market adjustments to swaps and options that represent debit entries are recorded as assets under "Other receivables" and those representing credit entries are recorded as liabilities under "Other payables".

Marketable securities

At December 31, 2008, marketable securities amounted to €1,224.6 million. The total included €1,180 million worth of units in money market funds, representing the investment of funds held by the cash pool managed by the Company on behalf of the Group.
On November 16, 2007, the Company entered into a liquidity agreement with Exane BNP Paribas. This agreement complies with the Code of Ethics adopted by the Association Française des Entreprises d'Investissement (AFEI), which is recognized by the Autorité des Marchés Financiers (AMF). It came into effect on December 3, 2007 for an initial period ending on December 31, 2007, since when it has been automatically renewable for successive one-year periods.

The assets held by the Company under the liquidity agreement at December 31, 2008 comprised:
- €34.3 million worth of units in a euro-denominated money market fund, and
- 311,713 Compagnie de Saint-Gobain shares with a carrying value of €10 million.

Marketable securities are valued using the first in-first out (FIFO) method.

NOTE 9

Shareholders' equity

9.1 Changes in capital stock

Par value at December 31, 2007: €4 Par value at December 31, 2008: €4	Number of shares	Amount (in € thousands)
Capital stock at January 1, 2008	374,216,152	1,496,865
Shares issued under the Group Savings Plan	8,272,947	33,092
Shares issued upon exercise of stock options	82,886	331
Capital stock at December 31, 2008	**382,571,985**	**1,530,288**

At December 31, 2008, capital stock amounted to €1,530,288 thousand, represented by **382,571,985 shares** of common stock with a par value of €4 each.
At the Annual General Meeting of June 7, 2007, shareholders authorized the Board of Directors of Compagnie de Saint-Gobain to:
- Issue, on one or several occasions, up to 147.5 million new shares with or without pre-emptive or priority subscription rights for existing shareholders (twelfth, thirteenth, fourteenth and fifteenth resolutions/26-month authorization commencing June 7, 2007).
- Issue, on one or several occasions, up to 18.5 million new shares to members of the Group Savings Plan (sixteenth resolution/26-month authorization commencing June 7, 2007). This authorization was used to issue 8,272,947 shares on May 15, 2008 and the unused portion therefore concerns 10,227,053 new shares.

- Grant stock options exercisable for shares representing up to 3% of capital stock on the Meeting date, i.e. 11,214,726 options exercisable for the same number of shares (seventeenth resolution/38-month authorization commencing June 7, 2007). In the eighteenth resolution, the Board was authorized to make stock grants representing up to 1% of the capital stock on the Meeting date, i.e. grants of 3,738,242 shares. If this authorization were to be used, the stock grants would be deducted from the shares available for the stock option plan.
The Board of Directors used this authorization on two occasions:
- On November 22, 2007, to grant 3,673,000 stock options, subsequently reduced to 3,623,000.
- On November 20, 2008, to grant 3,551,900 stock options.
As of December 31, 2008, the number of options available for grant was 4,039,826.

If these authorizations and earlier authorizations to grant stock options were used in full, this would potentially have the effect of increasing the number of shares outstanding to **565,551,958**.

In addition, at the Annual General Meeting of June 5, 2008, the Board of Directors was authorized to issue equity warrants in the event of a public tender offer for the Company's shares, in accordance with the French Act of March 31, 2006 on takeover bids (fourteenth resolution). Under this authorization, the Group may issue up to €375 million worth of stock (excluding premiums), representing 93,750,000 shares.

9.2 Statement of changes in equity

(in € thousands)	Amount
Shareholders' equity at December 31, 2007 before appropriation of 2007 net income	**10,472,529**
Payment in 2008 of the 2007 dividend	(766,732)
Shares issued to employees under the Group Savings Plan	352,801
Shares issued to employees upon exercise of stock options	3,214
Other changes – adjustments to the revaluation reserve and untaxed provisions	–
Net income for 2008	1,263,527
Shareholders' equity at December 31, 2008 before appropriation of 2008 net income	**11,325,339**

In 2008, capital stock increased by €33,423 thousand, the legal reserve by €3,342 thousand, and additional paid-capital by €319,250 thousand following the issue of (i) 8,272,947 shares under the Group Savings Plan; and (ii) 82,886 shares upon exercise of stock options.

Changes in unappropriated retained earnings were as follows:

At December 31, 2007:	€1,506,206,000
Appropriation of net income (3rd resolution of the AGM of June 5, 2008):	
Net income for the year	€871,150,000
Less: final dividend taking into account the actual number of own shares held	€766,732,000
At December 31, 2008:	€1,610,624,000

9.3 Stock option plans

Compagnie de Saint-Gobain has stock option plans available to certain employees, and an employee stock purchase plan referred to as the Group Savings Plan ("PEG").

Stock options are exercisable for Saint-Gobain shares at a price based on the average share price for the 20 trading days preceding the grant date. Since 1999, no discounts on the average price have been granted under these plans. Some plans are performance stock option plans.

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

All options granted between 1999 and 2002 were exercisable for existing shares, while those granted between 2003 and 2007 were exercisable for new shares. For the November 20, 2008 plan, the origin of the shares will be determined at the latest at the end of the four-year vesting period. If an option holder were to die or any of the events provided for in the General Tax Code were to occur during the four-year vesting period, only options exercisable for new shares would vest.

For options granted under the November 20, 2008 plan, the value used to calculate the 10% *contribution sociale* tax due by grantees employed by French companies in the Group is €6.10 per option.

Movements relating to stock options outstanding in 2006, 2007 and 2008 are summarized below:

	€4 par value shares	Average exercise price (in €)
Options outstanding at December 31, 2005	**21,738,119**	**38.06**
Options granted	4,025,800	58.08
Options exercised	(3,974,551)	34.79
Options forfeited	(241,400)	40.26
Options outstanding at December 31, 2006	**21,547,968**	**42.38**
Options granted	3,673,000	71.56
Options exercised	(3,178,885)	33.04
Options forfeited	(50,000)	58.10
Options outstanding at December 31, 2007	**21,992,083**	**48.56**
Options granted	3,551,900	28.62
Options exercised	(198,376)	33.33
Options not granted under the 2007 plan	(50,000)	71.56
Options outstanding at December 31, 2008	**25,295,607**	**45.84**

At December 31, 2008, 12,127,557 options were exercisable at an average exercise price of €39.21.

The following table presents information about stock options outstanding at December 31, 2008:

Grant date	Exercisable options			Options not yet exercisable		Total options outstanding	Type of options
	Exercice price (in €)	Number of options	Weighted average contractual life (in months)	Exercise price (in €)	Number of options	Number of options	
1999	40.63	324,124	11	-	-	324,124	Purchase
2000	37.72	865,760	23	-	-	865,760	Purchase
2001	40.22	1,708,804	35	-	-	1,708,804	Purchase
2002	23.53	1,183,825	47	-	-	1,183,825	Purchase
2003	35.67	2,675,491	59	-	-	2,675,491	Subscription
2004	43.56	3,630,853	71	43.56	-	3,630,853	Subscription
2005	45.71	1,738,700	83	45.71	2,018,550	3,757,250	Subscription
2006	58.08	-	95	58.08	3,974,600	3,974,600	Subscription
2007	71.56	-	107	71.56	3,623,000	3,623,000	Subscription
2008	28.62	–	119	28.62	3,551,900	3,551,900	See Note 9.3 above
Total	–	**12,127,557**	–	–	**13,168,050**	**25,295,607**	–

Following the four-for-one stock split of June 27, 2002, the number of options under the 1999, 2000 and 2001 plans has been multiplied by four in order to permit meaningful year-on-year comparisons.

9.4 Compagnie de Saint-Gobain Group Savings Plan (PEG)

The PEG Group Savings Plan is an employee stock purchase plan open to all Group employees in France and in most other countries where the Group does business. Eligible employees must have completed a minimum of three months' service with the Group. The share purchase price, as set by the Chief Executive Officer on behalf of the Board of Directors, corresponds to the average of the opening share prices quoted over the 20 trading days preceding the pricing date, less a discount of 20%, or 15% for the leveraged plan established in 2008.

The shares are subject to a five or ten-year lock-up, at the choice of employees, or a five-year lock-up in the case of the leveraged plan.

Under the Group Savings Plan, 8,272,947 shares with a par value of €4 were issued to employees in 2008 (2007: 4,981,609 shares; 2006: 5,399,291 shares), at an average price per share of €42.72 (2007: €59.10; 2006: €40.84).

NOTE 10

Other equity

Non-voting participating securities

In the 1980s, Compagnie de Saint-Gobain issued 1,288,299 non-voting participating securities indexed to the average bond rate (TMO) and 194,633 non-voting participating securities indexed to Euribor (with a floor rate). These securities are not redeemable and the remuneration paid to investors is qualified as interest expense.

Some of these securities have been repurchased on the market. At December 31, 2008, there were 606,883 TMO-indexed securities and 77,516 Euribor-indexed securities outstanding, representing an aggregate face value of €170 million.

The interest paid on the 606,883 TMO-indexed securities consists of a fixed portion and a variable portion based on the Group's earnings, subject to a cap of 1.25 times the TMO. Interest on the 77,516 Euribor-indexed securities is payable at a fixed rate of 7.5% on 60% of the securities' face value and at a variable rate on the remaining 40%. The variable rate is based on the prior year's consolidated net income and is subject to a cap and a floor.

Net interest paid on participating securities for 2008 came to €10.5 million (2007: €10.5 million).

NOTE 11

Provisions

(in € thousands)	At January 1, 2008	Charge for the year	Write-backs of utilized provisions	Write-backs of surplus provisions	Other (transfers)	At December 31, 2008
Untaxed provisions						
Reinvested capital gains	6,427					6,427
Other	12					12
	6,439	**–**	**–**	**–**	**–**	**6,439**
Provisions for contingencies						
Provisions for taxes	86,221	4,239		(10,593)	1,636	81,503
Provisions for stock options	–					–
Provisions for other contingencies	2,105	531	(66)		(25)	2,545
	88,326	**4,770**	**(66)**	**(10,593)**	**1,611**	**84,048**
Provisions for charges						
Provisions for pensions and other post-employment benefit obligations	61,876	16,434	(11,309)			67,001
Other provisions for charges	317	132	(16)			433
	62,193	**16,566**	**(11,325)**	**–**	**–**	**67,434**
Provisions for impairment of:						
Investments in subsidiaries and affiliates	639					639
Other investment securities	51,209	17,944	(2,659)			66,494
Doubtful receivables	254		(254)			–
Marketable securities	127		(127)			–
	52,229	**17,944**	**(3,040)**	**–**	**–**	**67,133**
Impact on operating income		**16,442**	**(11,579)**			
Impact on net financial income		**17,944**	**(2,825)**			
Impact on exceptional items		**4,894**	**(27)**	**(10,593)**		

The Company's obligations with respect to pensions and other post-employment benefits are measured using the projected unit credit method based on end-of-career salaries and employees' vested rights at the measurement date.
Actuarial gains and losses arising in the year under defined benefit plans are recognized immediately in the income statement. The discount rate used was 6.25% in 2008 versus 5.50% in 2007.

In 2008, Compagnie de Saint-Gobain shares held for allocation upon exercise of stock options were written down by €17,940 thousand. Write-downs were recorded in all cases where the weighted average share price (€33.33) was less than the option exercise price.

NOTE 12

Debt and payables

Total debt and payables increased by a net amount of €3,124 million to €15,913 million at December 31, 2008. Debt rose by €3,036 million, reflecting the financing policy for Group companies, while tax and social charges payable and other payables were €88 million higher.

Maturities of debt and payables

(in € thousands)	Total	Maturity	
		Within one year	Beyond one year
Bonds [1]	6,258,699	146,258	6,112,441
Bank borrowings [1] [2]	2,292,346	97,346	2,195,000
Other borrowings [1] [3]	7,174,125	5,668,392	1,505,733
Sub-total	**15,725,170**	**5,911,996**	**9,813,174**
Tax and social charges payable	113,379	113,379	-
Other payables [3]	74,675	67,127	7,548
Deferred income	-	-	-
Total debt and payables [4]	**15,913,224**	**6,092,502**	**9,820,722**

(1) New debt for the year	4,401,094
Debt repaid during the year	1,365,218
(2) Of which:	
– Debt with original maturity of up to two years	2,137,346
– Debt with original maturity of more than two years	155,000
(3) Of which:	
– Shareholders' loans	None
– New loans from subsidiaries	None
– Loans from subsidiaries repaid during the year	974,357
(4) Of which debt due beyond 5 years	2,613,208

Analysis of long- and short-term debt

(in € thousands)	2008	2007	2006
Medium and long-term debt			
Long-term portion			
Due between January 1 and December 31			
- 2008			598,401
- 2009		1,374,575	986,250
- 2010	3,467,619	1,427,964	4,426,793
- 2011	1,100,000	1,100,000	1,100,000
- 2012	1,250,000	1,250,000	
- 2013 and beyond	3,962,268	3,400,510	2,070,869
No fixed maturity	33,287	34,054	34,120
Total long- and medium-term debt excluding short-term portion	**9,813,174**	**8,587,103**	**9,216,433**
Short-term portion	**1,225,367**	**811,777**	**843,719**
Total	**11,038,541**	**9,398,880**	**10,060,152**
Short-term debt			
Billets de trésorerie (in €)			100,000
Billets de trésorerie (in USD)			
Euro Commercial Paper (in €)	690,000		45,000
Euro Commercial Paper (in GBP)			
Euro Commercial Paper (in USD)			
US Commercial Paper (in USD)			75,930
Borrowings from Group entities	3,903,799	3,249,253	1,866,891
Bank overdrafts and other short-term borrowings	83,489	29,388	273,498
Other	9,341	11,774	9,164
Total	**4,686,629**	**3,290,415**	**2,370,483**
TOTAL LONG- AND SHORT-TERM DEBT	**15,725,170**	**12,689,295**	**12,430,635**

Long- and short-term debt can be analyzed as follows by currency:

(in € thousands)	2008	2007	2006
Euros	10,368,122	8,329,562	8,468,068
US dollars	-	-	426,850
Pounds sterling	633,028	1,031,580	1,128,673
Czech koruna	37,391	37,738	36,561
Norwegian krone	–	–	–
Total	**11,038,541**	**9,398,880**	**10,060,152**

12.1 Perpetual bonds

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

At December 31, 2008, 18,496 perpetual bonds had been bought back and cancelled, and 6,504 perpetual bonds were outstanding, representing a total face value of €33 million.

12.2 Main changes in long- and short-term debt in 2008

The €2,125 million syndicated line of credit obtained in October 2007 to finance the Maxit acquisition was drawn down on March 12, 2008.

A €15 million bank loan obtained in September 2002 was repaid at maturity on July 2, 2008.

On September 16, 2008, Compagnie de Saint-Gobain carried out a €750 million 7.25% bond issue, due September 16, 2013.

12.3 Financing programs

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

At December 31, 2008, issuance under these programs was as follows:

Programs (in millions of currency)	Currency	Drawdown period	Authorized ceiling at Dec. 31, 2008	Drawdown at Dec. 31, 2008	Drawdown at Dec. 31, 2007	Drawdown at Dec. 31, 2006
Medium Term Notes	EUR	1 to 30 years	10,000	3,917	3,356	968
US commercial paper	USD	up to 12 months	1,000 *	0	0	100
Euro commercial paper	USD	up to 12 months	1,000 *	0	0	0
Billets de trésorerie	EUR	up to 12 months	3,000	690	0	145

(*) Equivalent to €718.6 million based on the exchange rate at December 31, 2008.

In accordance with market practices, *Billets de Trésorerie*, Euro Commercial Paper and US Commercial Paper are generally issued with maturities of one to six months.

Syndicated and bilateral lines of credit

Compagnie de Saint-Gobain's US Commercial Paper, Euro Commercial Paper and *Billets de Trésorerie* programs are backed by a €2,000 million confirmed syndicated line of credit expiring in November 2011 and seven bilateral credit lines totaling €680 million at December 31, 2008.

The facility agreements for the bilateral credit lines include acceleration clauses whereby any drawdowns would become immediately repayable or the facility would be cancelled in the following cases:

- Failure to comply with either of the following ratios (assessed annually on a consolidated basis):
  – Ratio of net debt to operating income excluding depreciation and amortization of property, plant and equipment and intangible assets below 3.75 ;
  – Interest cover (income before tax and net borrowing costs/net borrowing costs) above 3.

These covenants are included in the facility agreements for three bilateral lines representing €290 million.

- Default on bank borrowings in excess of certain ceilings.

No drawdowns were made against any of these facilities in 2008.

In 2005, a €9 billion syndicated line of credit was obtained to finance the acquisition of the BPB group and refinance certain debts of the BPB and Saint-Gobain groups. This facility is composed of three tranches: a three-year loan, a five-year loan, and a five-year revolving credit facility. At December 31, 2008, the three- and five-year loans had been repaid in full. The €500 million portion of the revolving facility granted for general corporate purposes expiring in August 2010 has not been drawn down and is therefore currently available.

The acceleration clause in the syndicated facility agreement would be triggered in the following cases:

- Failure to comply with either of the following ratios (assessed every six months on a consolidated basis):
  – Ratio of net debt to operating income excluding depreciation and amortization of property, plant and equipment and intangible assets below 3.75.
  – Interest cover (EBITA/net borrowing costs) above 3.5.
- Default on bank borrowings in excess of €40 million.

Saint-Gobain complied with all of these covenants at December 31, 2008.

In October 2007, the Company obtained a €2,125 million syndicated credit facility to finance the Maxit acquisition. The facility included a tranche with a one-year rollover option. This facility was drawn down in full in March 2008. In October 2008, an addendum to the facility agreement was signed, pushing back the expiry date to October 2010 and reducing the amount to €2,040 million. At December 31, 2008, this amount was fully drawn down.

NOTE 13

Related party transactions

	Net amount concerning			Total
(in € thousands)	Related companies	Other investees	Other companies	
Investments in subsidiaries and affiliates	9,067,000	258		9,067,258
Loans and advances to subsidiaries and affiliates	12,666,808		209	12,667,017
Other investment securities	127,182		220	127,402
Loans	978,837	4,497	17,039	1,000,373
Other receivables	3,309,799	160	74,307	3,384,266
Marketable securities	9,972		1,214,578	1,224,550
Cash and cash equivalents			28,642	28,642
Bonds			6,258,699	6,258,699
Bank borrowings			2,292,346	2,292,346
Other borrowings	6,438,697		735,428	7,174,125
Other payables	21,853	3,443	49,379	74,675
Income from investments in subsidiaries and affiliates	985,508	96	21	985,625
Income from loans and other investments	835,817	59		835,876
Other interest income	13,625		140,469	154,094
Interest expense	266,183	124	622,778	889,085

NOTE 14

Investment portfolio

(in € thousands)	Country	Net book value	% interest	Number of shares
Spafi	France	2,726,540	100.00	116,289,805
Partidis	France	2,065,919	100.00	78,262,892
Saint-Gobain Matériaux de Construction	France	1,723,712	100.00	85,916,100
Vertec	France	491,039	100.00	8,008,999
Saint-Gobain Benelux	Belgium	400,344	100.00	1,624,587
Saint-Gobain Cristaleria	Spain	211,220	24.51	3,659,866
Saint-Gobain Building Distribution Deutschland	Germany	194,609	100.00	100,000,000
International Saint-Gobain	Switzerland	162,247	100.00	221,950
Saint-Gobain Glass Benelux SA	Belgium	160,880	88.69	1,667,698
Saint-Gobain Isover G+H AG	Germany	153,791	99.91	3,196,976
Saint-Gobain Vetrotex Deutschland GmbH	Germany	153,669	100.00	45,000,000
Compagnie de Saint-Gobain (own shares)	France	127,182	1.09	4,163,913
Saint-Gobain Glass Deutschland GmbH	Germany	86,660	60.00	120,000,000
Saint-Gobain do Brasil	Brazil	83,146	33.51	34,040,128
Jarvis Participacoes LTDA	Brazil	77,302	99.90	253,412,478
Saint-Gobain Autoglas GmbH	Germany	72,833	60.00	120,000,000
Saint-Gobain Vidros SA	Brazil	67,181	99.96	209,374,623
Saint-Gobain Emballage	France	61,553	20.52	331,964
Saint-Gobain Schleifmittel-Beteiligungen GmbH	Germany	61,151	100.00	20,000,000
SEPR	France	53,310	25.73	407,600
Saint-Gobain PAM	France	30,732	8.10	360,255
Saint-Gobain Nederland	Netherlands	13,621	100.00	66,100
SCI Ile-de-France	France	3,428	-	-
SCI Campus	France	10,808	-	-
Miscellaneous French companies		691	-	-
Miscellaneous foreign companies		1,092	-	-
		9,194,660		
Reported in the balance sheet under				
Investments in subsidiaries and affiliates		9,067,258		
Other investment securities		127,402		
		9,194,660		

NOTE 15

Information about direct investments in subsidiaries and affiliates with a carrying amount representing over 1% of the Company's capital stock

COMPANIES (in thousands of euros or local currency)	Capital stock	Reserves	% interest	Book value of shares held Gross €k	Net €k	Loans and advances granted by the Company €k	Guarantees given by the Company €k	2008 net sales	2008 net income/ (loss)	Dividends received in 2008 €k
1 - SUBSIDIARIES At least 50%-owned by Compagnie de Saint-Gobain										(1)
Spafi										
18, avenue d'Alsace	€k	€k						€k	€k	
92400 Courbevoie	1,860,637	1,256,647	100.00	2,726,540	2,726,540			606	149,212	
Partidis										
18, avenue d'Alsace	€k	€k						€k	€k	
92400 Courbevoie	1,193,509	696,313	100.00	2,065,919	2,065,919	1,375,578		9,736	275,975	171,396
Saint-Gobain Matériaux de Construction										
18, avenue d'Alsace	€k	€k						€k	€k	
92400 Courbevoie	1,310,221	(110,659)	100.00	1,723,712	1,723,712	4,679,484		19,741	(145,660)	-
Vertec										
18, avenue d'Alsace	€k	€k						€k	€k	
92400 Courbevoie	128,144	614,655	100.00	491,039	491,039			-	150,219	229,538
Saint-Gobain Benelux										
Bouleverd de la Plaine 5	€k	€k						€k	€k	
B 1050 Brussels	400,345	1,530	100.00	400,344	400,344				15,374	2,404
Saint-Gobain Building Distrib Deutsch										
Hanauer Landstrasse, 150	€k	€k						€k	€k	
D-60314 Frankfurt am Main	100,000	94,600	100.00	194,609	194,609			1,236,753	(6,207)	(6,207)
International Saint-Gobain										
10, rue Saint-Pierre	CHFk	CHFk						CHFk	CHFk	
CH-1700 Fribourg	221,950	69,317	100.00	162,247	162,247			-	680,370	228,045
Saint-Gobain Glass Benelux SA										
Rue des Glaces Nationales, 169	€k	€k						€k	€k	
B-5060 Sambreville	70,900	90,678	88.69	160,880	160,880			154,794	24,863	
Saint-Gobain Isover G+H AG										
1 Burgermeister-Grünzweig Strasse	€k	€k						€k	€k	
D-67059 Ludwigshafen	82,000	11,291	99.91	153,791	153,791			381,769	146,276	146,276
Saint-Gobain Vetrotex Deutschland GmbH										
Bicheroux Strasse 61	€k	€k						€k	€k	
D-52134 Herzogenrath	23,008	139,936	100.00	153,669	153,669			26,461	18,717	18,717
Saint-Gobain Glass Deutschland GmbH										
Viktoria - Allee 3-5	€k	€k						€k	€k	
D-52066 Aachen	102,256	35,889	60.00	87,197	86,660			458,310	71,697	123,158
Saint-Gobain Do Brasil										
482, avenida Santa Marina										
Agua Branca	BRLk	BRLk						BRLk	BRLk	
05036-903 Säo Paulo-SP (Brazil)	1,015,685	2,990	33.51	83,146	83,146			1,133,649	214,174	2,312
Jarvis Participacoes LTDA										
482, avenida Santa Marina										
Agua Branca	BRLk	BRLk						BRLk	BRLk	
05036-903 Säo Paulo-SP (Brazil)	253,659		99.90	77,302	77,302				34,453	1,565
Saint-Gobain Autoglas GmbH										
Viktoria - Allee 3-5	€k	€k						€k	€k	
D-52066 Aachen	102,258	19,130	60.00	72,833	72,833				(158,869)	(160,710)

COMPANIES (in thousands of euros or local currency)	Capital stock	Reserves	% interest	Book value of shares held Gross	Net	Loans and advances granted by the Company	Guarantees given by the Company	2008 net sales	2008 net income/ (loss)	Dividends received in 2008
				€k	€k	€k	€k			€k
1 - SUBSIDIARIES										(1)
At least 50%-owned by Compagnie de Saint-Gobain										
Saint-Gobain Schleifmittel-Beteiligungen GmbH										
Viktoria - Allee 3-5	€k	€k						€k	€k	
D-52066 Aachen	10,226	50,925	100.00	61,151	61,151			–	(5,884)	(5,884)
Saint-Gobain Vidros SA										
482, avenida Santa Marina										
Agua Branca	k BRL	k BRL						k BRL	k BRL	
05036-903 São Paulo-SP (Brazil)	387,259		99.96	67,181	67,181			461,196	43,920	46,411
Peslogro Participacoes LTDA (2)										
482, avenida Santa Marina										
Agua Branca	k BRL	k BRL						k BRL	k BRL	
05036-903 São Paulo-SP (Brazil)									10,153	1,999
São Lourenço Administradora (3)										
482, avenida Santa Marina										
Agua Branca	k BRL	k BRL						k BRL	k BRL	
05036-903 São Paulo-SP (Brazil)								–	–	34,773
Saint-Gobain SFM (4)										
18, avenue d'Alsace	€k	€k						€k	€k	
92400 Courbevoie								–	895	1,080
2 - AFFILIATES										(1)
10% to 50%-owned by Compagnie de Saint-Gobain										
Saint-Gobain Cristaleria										
Edificio Ederra Centro Azca										
Paseo de la Castellana 77	€k	€k						€k	€k	
28046 Madrid	89,750	136,545	24.51	211,220	211,220	482,847		574,815	101,224	107,410
Saint-Gobain Emballage										
18, avenue d'Alsace	€k	€k						€k	€k	
92400 Courbevoie	42,069	430,024	20.52	61,553	61,553	30,221		736,184	148,345	31,537
SEPR										
18, avenue d'Alsace	€k	€k						€k	€k	
92400 Courbevoie	63,361	6,365	25.73	53,310	53,310	84,726		243,032	58,527	1,398
OTHER COMPANIES										
Subsidiaries (over 50% owned)										
Total French companies				14,707	14,707	285,165				1,007
Total foreign companies				14,045	14,045	24,089	2,500,848			5,419
Affiliates (10 to 50%-owned)										
Total French companies										–
Total foreign companies				648	648					
Other investments				**31,119**	**30,972**	**718,666**				**3,981**
Own shares				**193,631**	**127,182**					
TOTAL				**9,261,793**	**9,194,660**	**7,680,776**	**2,500,848**			**985,625**

(1) The amount shown for subsidiaries of the German branch corresponds to 2008 profit or loss transferred under the group relief system.
(2) Peslogro Participacoes Ltda merged with Saint-Gobain Vidros SA on December 31, 2008.
(3) São Lourenzo was broken up and its net assets transferred to Jarvis Participacoes Ltda and Peslogro Participacoes Ltda on July 2, 2008.
(4) Saint-Gobain SFM was sold to Vertec in July 2008 and merged into Vertec on October 1, 2008.

NOTE 16

Financial commitments excluding leases

Commitments given

(in € thousands)	Amount
Guarantees [1]	2,785,122
Other commitments given	
A. Commitment related to the fine levied on the Flat Glass business by the European Commission (see Note 20.2)	896,000
B. Commitments towards other members of "GIE" intercompany partnerships	6,904
Total	**3,688,026**
[1] Of which guarantees given on behalf of consolidated companies	2,500,848

Commitments received

(in € thousands)	Amount
Guarantees	
Retention money	71
Other commitments received	
Debt waivers with a clawback clause	3,720
Total	**3,791**
Of which: Commitments received from consolidated companies	3,720

Commitments relating to currency hedging instruments are as follows:

(in thousands of the currency concerned)		Amount
Equivalent in euros of forward purchases and sales of foreign currency	EUR	739,897
Purchased currency options	EUR	39,764
Written currency options	EUR	39,764
Currency swaps	EUR	2,733,282

Commitments relating to interest rate hedging instruments are as follows:

At December 31, 2008 (Euro equivalent in thousands)	Amount
Interest rate swaps (fixed rate borrower/variable rate lender)	1,250,000
Interest rate swaps (fixed rate lender/variable rate borrower)	133,000
Interest rate swaps (variable rate lender/variable rate borrower)	155,000
Greenhouse gas emission allowance swaps – sales of EUAs/purchases of CERs	1,885
Greenhouse gas emission allowance swaps – purchases of CERs/sales of EUAs	1,560
Commodity swaps – fixed price payer /variable price receiver	94,111
Commodity swaps – variable price payer/fixed price receiver	94,111

NOTE 17

Lease commitments

On December 18, 1996, Compagnie de Saint-Gobain entered into a 12-year finance lease on its head office building at La Défense (Les Miroirs), starting February 1, 1997.

(in € thousands)	Head office
Cost at inception of the lease	80,798
Depreciation:	
Accumulated depreciation at January 1, 2008	15,983
Depreciation for the year	1,464
Total	**17,447**
Lease payments:	
Cumulative lease payments at January 1, 2008	100,073
Lease payment for the year	9,552
Total	**109,625**
Future minimum lease payments:	
Due within one year	773
Due in one to five years	–
Due beyond 5 years	–
Total	**773**
Residual value:	
Within one year	12,120
In one to five years	–
Beyond 5 years	–
Total	**12,120**

The purchase option was exercised at the end of the lease, on January 31, 2009, at a price equal to the residual value.

NOTE 18

Fees paid to the Statutory Auditors

The total fees paid to the auditors in 2008, as reflected in the income statement, include:

- Statutory audit fees of €1,467 thousand.
- Fees for audit-related advice and services: €584 thousand.

NOTE 19

Employees

Monthly average number of employees

	2008	2007	2006
Paris Head Office			
Managers	167	169	170
Supervisors	53	56	59
Administrative staff	8	7	7
Total	**228**	**232**	**236**
Of which, employees under fixed-term contracts	2	4	5

	2008	2007	2006
German branch			
Managers	45	40	38
Supervisors	84	85	83
Administrative staff	1	1	1
Total	**130**	**126**	**122**
Of which, employees under fixed-term contracts	4	6	7

Statutory training entitlement

Unused vested training entitlements under Act no. 2004.391 of March 4, 2004 relating to lifelong learning amounted to 14,076 hours at December 31, 2008, representing an estimated cost of €256 thousand.

Management compensation

Compensation received by the Group's directors and officers directly and indirectly from Group companies within and outside France totaled €14.9 million in 2008 (2007: €15.6 million; 2006: €13.3 million), including variable bonuses of €5.4 million (2007: €7.1 million; 2006: €5.4 million) and termination benefits of €1.5 million (2007: €0.7 million). Pensions and other post-employment benefits (defined benefit obligations in respect of retirement bonuses and pensions) accruing to the Group's directors and officers totaled €21.3 million at December 31, 2008 (2007: €22.7 million).
Attendance fees paid to directors for 2008 totaled €0.8 million (2007: €0.8 million; 2006: €0.8million).

NOTE 20

Litigation

20.1 Asbestos-related litigation

The discussion below concerns asbestos-related litigation involving Group subsidiaries. The related costs and provisions are recorded in the accounts of the subsidiaries concerned.

Asbestos-related litigation in France

In France, further individual lawsuits were filed in 2008 by former employees (or persons claiming through them) of Everite and Saint-Gobain PAM ("the employers") – which in the past had carried out fiber-cement operations – for asbestos-related occupational diseases, with the aim of obtaining supplementary compensation over and above the amounts paid by the French Social Security authorities in this respect. A total of 676 such lawsuits have been issued against the two companies since 1997.

At December 31, 2008, 567 of these 676 lawsuits had been completed in terms of both liability and quantum. In all of these cases, the employers were held liable on the grounds of "inexcusable fault".

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

Concerning the 109 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2008, the merits of 35 have been decided but the compensation awards have not yet been made, pending issue of medical reports. In 30 cases, the Social Security authorities were ordered to pay compensation to the victims for procedural reasons (statute of limitations, non-opposability). In the other five cases, no ruling has yet been handed down on the validity or otherwise of the lawsuit.

Out of the 74 remaining lawsuits, 4 were dismissed following a claim made to the French Asbestos Victims Compensation Fund (FIVA). At December 31, 2008, the procedures relating to the merits of the other 70 cases were at different stages: 11 were being investigated by the French Social Security authorities, 52 were pending before the Social Security courts and seven before the Courts of Appeal.

In addition, 110 suits based on inexcusable fault had been filed by current or former employees of 12 other French companies in the Group, in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces. (These figures take into account the divestment by the Group of Saint-Gobain Desjonquères and Saint-Gobain Vetrotex.)

At December 31, 2008, eight lawsuits had been abandoned following the decision by the employees concerned to seek compensation from the French Asbestos Victims Compensation Fund (FIVA).

At that date, 64 lawsuits had been completed. In 12 of these cases, the employer was held liable for inexcusable fault. However, these rulings did not have any financial impact on the companies concerned.

For the 38 suits outstanding at December 31, 2008, arguments were being prepared by the French Social Security authorities in four cases, 22 were pending before the Social Security courts, 10 before the Courts of Appeal and two before the Supreme Court.

Asbestos-related litigation in the United States

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

Developments in 2008

After three years marked by high numbers of claims filed against CertainTeed (60,000 in 2001, 67,000 in 2002, and 62,000 in 2003, compared with 19,000 in 2000), new claims filed fell to 18,000 in 2004, and subsequently dropped to 17,000 in 2005, to 7,000 in 2006, to 6,000 in 2007 and to about 5,000 in 2008. This decline was felt over the last four years in most States, particularly in those that had seen the greatest numbers of claims in the previous years. It reflects State court rulings as well as changes in local legislation in various States to introduce stricter medical criteria for new claims.

Almost all of the claims against CertainTeed are settled out of court. Approximately 8,000 of the pending claims were resolved in 2008, compared with 54,000 in 2003, 20,000 in 2004 and in 2005, 12,000 in 2006 and 8,000 in 2007. In addition, approximately 3,000 claims (mainly in New York) were transferred to inactive dockets further to court rulings. Taking into account the 74,000 outstanding claims at the end of 2007 and the new claims having arisen during the year, as well as claims settled or placed in inactive docket, some 68,000 claims were outstanding at December 31, 2008. A large number of these pending claims were filed more than five years ago by individuals without any significant asbestos-related impairment, and it is likely that many of them ultimately will be dismissed.

Impact on the Group's accounts

CertainTeed recorded a €75 million charge in 2008 to cover future developments in relation to asbestos claims. This amount is slightly lower than the €90 million recorded in 2007, the €95 million recorded in 2006, the €100 million recorded in 2005, the €108 million recorded in 2004, and the €100 million recorded in both 2002 and 2003. At December 31, 2008, the reserve for asbestos-related claims in the United States recorded in CertainTeed's accounts amounted to €361 million, (USD 502 million), compared with €321 million (USD 473 million) at December 31, 2007 and €342 million (USD 451 million) at December 31, 2006.

Cash flow impact

Compensation paid in respect of these claims against CertainTeed, including claims settled in prior years but only paid out in 2008, and those fully resolved and paid during the year, and compensation paid (net of insurance) in 2008 by other Group businesses in connection with asbestos-related litigation, amounted to €48 million (USD 71 million), compared to €53 million (USD 73 million) in 2007, and €67 million (USD 84 million) in 2006.

Outlook for 2009

No significant developments have been observed during the past few months, in terms of either new claims or compensation paid.

Asbestos-related litigation in Brazil

In Brazil, former Group employees suffering from asbestos-related occupational illness are offered either exclusively financial compensation or lifetime medical assistance combined with financial compensation. Only a small number of asbestos-related lawsuits were outstanding at December 31, 2008, and they do not represent a material risk for the companies concerned.

20.2 Ruling by the European Commission following the investigation into the construction glass and automotive glass industries

In November 2007 and 2008, the European Commission issued its decisions concerning, respectively, the construction glass industry and the automotive glass industry.
In the November 28, 2007 decision concerning its investigation into construction glass manufacturers, the European Commission held that Saint-Gobain Glass France had violated Article 81 of the Treaty of Rome and fined the company €133.9 million. Compagnie de Saint-Gobain was named as being jointly and severally liable for the payment of this amount. Compagnie de Saint-Gobain and Saint-Gobain Glass France decided not to appeal this decision and the fine was paid on March 3, 2008.
In the November 12, 2008 decision concerning its investigation into automotive glass manufacturers, the European Commission held that Saint-Gobain Glass France, Saint-Gobain Sekurit France and Saint-Gobain Sekurit Deutschland Gmbh had violated Article 81 of the Treaty of Rome and fined them €896 million. Compagnie de Saint-Gobain was named as being jointly and severally liable for the payment of this amount.

The companies concerned believe the fine is excessive and disproportionate, and have appealed the decision before the Court of First Instance of the European Communities.
The European Commission has granted them a stay of payment until the appeal has been heard, in exchange for a bond covering the €896 million fine and the related interest, calculated at the rate of 5.25% from March 9, 2009. The necessary steps have been taken to set up this bond within the required timeframe.
As a result of these developments, the €694 million in provisions set aside in the accounts of the companies concerned at December 31, 2007 – which were reduced to €560 million at June 30, 2008 following payment of the €134 million fine – were increased to €960 million at December 31, 2008 to cover the €896 million fine, together with the cost of the bond and the estimated legal costs over the appeal period. The additional €400 million set aside in the second half of 2008 was recorded in "Other business expense" in the accounts of Saint-Gobain Sekurit France and Saint-Gobain Sekurit Deutschland GmbH.

NOTE 21

Subsequent events

On January 14, 2009, Compagnie de Saint-Gobain placed a €1 billion 5 1/2-year 8.25% bond issue. The issue proceeds, which were received on January 26, will be used to refinance the Group's existing debt and extend its average maturity.

Five-year financial summary

(in € thousands)	2008	2007	2006	2005	2004
1 – Capital stock at year-end					
Capital stock	1,530,288	1,496,865	1,473,679	1,381,025	1,363,952
Number of common shares outstanding	382,571,985	374,216,152	368,419,723	345,256,270	340,988,000
2 – Results of operations					
Net sales	199,301	191,669	180,586	172,680	158,410
Income before tax, depreciation, amortization and provisions	1,119,557	591,916	440,209	520,002	719,758
Income tax	160,471	260,296	149,994	55,945	45,403
Net income	1,263,527	871,150	849,187	525,130	766,017
Total dividend	[1] 486,078	[2] 766,732	[3] 621,062	[4] 459,483	[5] 429,812
3 – Earnings per share (in €)					
Earnings per share before tax, depreciation, amortization and provisions	2.93	1.58	1.19	1.51	2.11
Net earnings per share	3.30	2.33	2.30	1.52	2.25
Net dividend per share	1.00	2.05	1.70	1.36	1.28
4 – Employee information [6]					
Average number of employees during the year	228	232	236	238	237
Total payroll for the year [7]	26,082	28,682	26,663	27,782	25,140
Total benefits for the year	16,081	16,258	15,339	15,306	14,274

(1) Based on 382,571,985 shares outstanding at December 31, 2008, less 4,511,742 shares held in treasury as of February 28, 2009, plus 108,017,212 shares with rights to the 2008 dividend issued following the March 23, 2009 rights issue i.e., 486,077,455 shares in total.

(2) Reflecting an €8,641 thousand uplift following the sale of 15,146 shares out of treasury stock between March 1 and June 19, 2008 (ex-dividend date) and the May 15, 2008 issue of 4,199,902 shares under the leveraged Group Savings Plan, with rights to the 2007 dividend.

(3) Reflecting a €3,800 thousand uplift following the sale of 792,657 shares out of treasury stock between March 1 and June 21, 2007 (ex-dividend date) and the May 15, 2007 issue of 1,442,584 shares under the leveraged Group Savings Plan, with rights to the 2006 dividend.

(4) Reflecting a €146 thousand adjustment for treasury stock transactions between March 1 and June 21, 2006 (ex-dividend date) (purchase of 1,105,000 shares and sale of 997,310 shares).

(5) Reflecting a €366 thousand adjustment following the sale of 285,934 shares out of treasury stock between March 1 and June 23, 2005 (ex-dividend date).

(6) Employee numbers only include staff at the Company's head office and exclude the German branch.

(7) Since 2005, the total payroll includes discretionary profit-sharing bonuses (2005: €1,493 thousand; 2006: €1,852 thousand; 2007: €1,784 thousand; 2008: €1,611 thousand).

Statutory Auditors' report

on the financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in all audit reports, whether qualified or not and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2008, on:

- the audit of the accompanying financial statements of Compagnie de Saint-Gobain;
- the justification of our assessments ;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the Compagnie de Saint-Gobain's financial position and its assets and liabilities as of December 31, 2008, and of the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

II - Justification of our assessments

Accounting estimates used for the preparation of the financial statements for the year ended December 31, 2008 have been made in the context of a sharp deterioration in the general economic and financial environment which makes assessing the business outlook very difficult. Against this backdrop, and in accordance the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- **Value of financial investments and investments in subsidiaries and affiliates**

As described in Note 1 to the financial statements relating to accounting principles and methods, the Company carries out impairment tests on a yearly basis for its financial investments and investments in subsidiaries and affiliates. Based on the information available at the time of our audit, we assessed the approach used by the Company and ensured that the estimates made by the Company at December 31, 2008 were reasonable.

These assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the unqualified opinion we formed which is expressed in the first part of this report.

III - Specific verifications and information

We have also performed the specific verifications required by law.

We have no matters to report regarding:

- The fair presentation and conformity with the financial statements of the information given in the Board of Directors' management report and in the documents addressed to the shareholders with respect to the financial position and the financial statements;
- The fair presentation of the information provided in the Board of Directors' management report in respect of compensation granted to certain company officers and any other commitments made in their favor in connection with, or subsequent to their appointment, termination or change in function.

In accordance with the law, we have verified that the management report contains the appropriate disclosures regarding the identity of shareholders.

Neuilly-sur-Seine and Paris La Défense, March 19, 2009

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG Audit
Division of KPMG S.A.

Pierre Coll   Rémi Didier

Jean Gatinaud   Jean-Paul Vellutini

Main subsidiaries
by country and delegation

All of the subsidiaries are wholly owned, unless otherwise stated.

FRANCE

Saint-Gobain Glass France: flat glass and flat glass products. Sales: €313.2 million. Employees: 1,059. These figures include Eurofloat, a float glass plant. Subsidiaries:
- Saint-Gobain Produits Industriels (SGPI), M.O. Pays de Loire, Comptoir Général des Glaces et Produits Verriers (C.G.G.), Les Vitrages de Saint-Gobain Normandie, M.O. Semiver-Climaver, M.O. Charentes-Limousin, M.O. Armorique, Miroiterie du Rhin, Société Verrière Française (SVF), Sovedys, Sivaq, Centre Est Vitrage (CEV), Charles André, Soprover, Société Verrière de l'Atlantique (SVA), Le Vitrage du Midi (LVM), Glassver, Gobba Vitrage, Auvergne Isolation, Vitrages Isolants d'Auvergne, Alp'Verre, Courbu Vitrages, Verrerie Aurys, Pierre Pradel, Wehr Miroiterie, Emaillerie Alsacienne, Techniverre: construction glass products manufacturing and distribution. Employees of the subsidiaries: 3,108.
- Eurokera (50%). Employees: 143. Keraglass (50%). Employees: 109. Glass ceramic hobs.

Saint-Gobain Sovis: tempered glass for household appliances, industrial and scientific optics, anti-radiation glass. Employees: 121.
Verrerie de Saint-Just: decorative glass. Employees: 50.
Saint-Gobain Sully: flat glass for the train and aircraft industries. Employees: 506.
Saint-Gobain Glass Logistics: transport.
Saint-Gobain Recherche: glass and building materials research center. Employees: 400.
Samin: quarry operator. Employees: 137.

Saint-Gobain Sekurit France: automotive glass products. Sales: €234.5 million. Employees: 906. These figures include Société Verrière d'Encapsulation: encapsulated automotive glass. Subsidiary: Saint-Gobain Autover: automotive glass products manufacturing and distribution.

SEPR - Société Européenne des Produits Réfractaires: fused-cast refractory products used mainly for glass furnaces and various special ceramic products (beads, grains and powders). Sales: €213.7 million. Employees: 900. Subsidiaries:
- Savoie Réfractaires: special refractories. Sales: €41.6 million. Employees: 191.
- Saint-Gobain Cristaux et Détecteurs: optical crystals and artificial monocrystals for chemical analyses. Sales: €29.7 million. Employees: 146.
- Saint-Gobain Quartz SAS: silica parts for the chemical industry, silica crucibles and reactor tubes for the semi-conductor industry, silica wool and yarn for the space industry, Micaver insulating materials, piezoelectric ceramics. Sales: €17.6 million. Employees: 114.
- Saint-Gobain Matériaux Céramiques: seeded gel abrasives.
- Saint-Gobain Centre de Recherche et d'Etudes Européennes: European ceramics research center. Employees:
- Valoref SA: recycling.
- Saint-Gobain Solcera: fine ceramics for industrial use. Sales: €15.4 million. Employees: 111.

Saint-Gobain Performance Plastics Europe: holding company. Subsidiaries: Saint-Gobain Performance Plastics España, Saint-Gobain Performance Plastics France: manufacture and sale of high-performance plastics. Employees: 406.

Saint-Gobain Abrasifs (France): bonded abrasives, grinding wheels and superabrasives. Sales: €171.2 million. Employees: 765.

Saint-Gobain Isover: glass wool and rock wool insulation products. Sales: €341 million. Employees: 933. Subsidiaries:
- Saint-Gobain Eurocoustic: rock wool insulation products. Sales: €63.2 million. Employees: 190.
- Saint-Gobain Ecophon SA: acoustic ceilings. Employees: 28.
- Plafométal: metal ceilings. Sales: €38.9 million. Employees: 114.

BPB Placo SAS: plaster, plasterboard, insulation products and ceiling tiles. Sales: €673.2 million. Employees: 1,844.

Saint-Gobain Matériaux de Construction: holding company. Subsidiary: Saint-Gobain Weber: industrial mortars, with operations in 26 countries. Sales: €913.7 million. Employees: 4,059. These figures include the subsidiaries, except in Brazil, Bulgaria and Turkey.

Saint-Gobain PAM: ductile cast-iron pipes and hydraulic connectors for water-supply, irrigation and sewer networks; cast-iron products for the building industry.
Sales: €1,062.3 million. Employees: 2,934.
Subsidiary: Saint-Gobain Seva: industrial equipment, glass molds, fiberglass insulating plates, door fasteners. Sales: €61 million. Employees: 357.

Partidis: building materials distribution. Sales: €9.42 billion. Employees: 37,821. Subsidiaries:

- Point.P - France, Spain, Belgium. building materials distribution through: - 11 regional companies (Brittany, Central France, Eastern France, Paris region, Loire region, Languedoc Midi-Pyrénées, Northern France, Normandy, Provence-Alpes-Côte d'Azur, Rhône-Alpes, South-West France). - 5 national companies (DSC, Asturienne, Boch Frères, PUM Plastiques, DMTP) ; - La Plateforme du Bâtiment (42 platforms in France, 18 in Spain and 3 in Italy) ; - 1,871 sales outlets (1,767 in France, 89 in Spain, 12 in Belgium, 3 in Portugal).
- Lapeyre: distribution of home improvement products under the following banners: Lapeyre La Maison, Distrilap, K par K, Gimm, Cougnaud, Cordier, Lagrange, Poreaux, Pastural, Technifen (France), Okfens (Poland), Eldorado Exportacao and Contrumega-Megacenter (Brazil).
- Aquamondo France: bathroom stores.

Saint-Gobain Emballage: glass containers (bottles and industrial jars). Sales: €730.2 million. Employees: 1,882. Subsidiaries:

- VOA Verrerie d'Albi: glass containers (bottles). Sales: €91.1 million. Employees: 299.
- Saga Décor: decoration of bottles and jars. Employees: 180.

Spafi: holding company. Subsidiary: SGPPI: holding company.

Vertec: holding company.

CENTRAL EUROPE

Germany

Saint-Gobain Glass Deutschland GmbH: flat glass and flat glass products. Sales: €471.2 million. Employees: 996.

Saint-Gobain Deutsche Glas GmbH: holding company controlling various companies active in construction glass products manufacturing and distribution. Sales (including subsidiaries): €298.2 million. Employees (including subsidiaries): 1,743.

Saint-Gobain Sekurit Deutschland Beteiligungen GmbH: management company for Saint-Gobain Sekurit Deutschland KG and other equity interests. Subsidiaries:

- Autoglas Hansa. Subsidiaries: Renz Autoglas GmbH, SG Autover Deutschland GmbH, Freudenberger Autoglas KG.
- Faba Autoglas Technik GmbH: automotive glass products.

Saint-Gobain Sekurit Deutschland KG: automotive glass. Sales: €292.7 million. Employees: 1,603. These figures include Faba Autoglas Technik Kg: laminated and tempered glass extrusion.

SEPR Keramik GmbH & CO KG: holding company. Subsidiaries:

- Norton Beteiligungs: holding company. Subsidiaries: Saint-Gobain Performance Plastics Pampus GmbH: high-performance plastics for the medical and automobile industries; industrial equipment. Sales: €67.1 million. Employees: 346; Saint-Gobain Advanced Ceramics Lauf GmbH: advanced ceramics. Sales: €18.9 million. Employees: 188. Saint-Gobain Performance Plastics Isofluor GmbH: fluoropolymer pipes. Sales: €9.8 million. Employees: 98.
- Saint-Gobain IndustrieKeramik Düsseldorf: refractory products. Sales: €44.9 million. Employees: 98.
- Saint-Gobain Advanced Ceramics Mönchengladbach: advanced ceramics. Sales: €14.3 million. Employees: 80.
- Saint-Gobain IndustrieKeramik Roedental: high-performance refractory products. Sales: €118.9 million. Employees: 802.
- Saint-Gobain Performance Plastics Cologne. Employees: 26.

Saint-Gobain Schleifmittel GmbH: Subsidiaries:

- Saint-Gobain Diamantwerkzeuge KG: industrial superabrasives. Sales: €56.5 million. Employees: 481.
- Saint-Gobain Abrasives GmbH: grinding wheels and superabrasives. Sales: €101.5 million. Employees: 430.

Saint-Gobain Vetrotex Deutschland GmbH: fiberglass reinforcements. Sales: €26.5 million. Employees: 229.

Saint-Gobain Isover G + H AG: mineral fibers and foams for thermal and acoustic insulation and fireproofing. Sales: €381.8 million. Employees: 1 319. These figures include Superglass Dammstoffe GmbH: insulating materials distribution.

Rigips GmbH: plaster, plasterboard, insulation products and ceiling tiles. Sales: €256.9 million. Employees: 802.

Halbergerhütte GmbH: holding company. Subsidiary: Saint-Gobain GussRohr KG: ductile cast-iron pipes. Sales: €39 million. Employees: 40.

Saint-Gobain PAM Deutschland GmbH and Co. KG: pipe systems for the building industry. Sales: €195.4 million. Employees: 424.

Saint-Gobain Building Distribution Deutschland GmbH: building materials distribution (250 outlets). Sales: €1.83 billion. Employees: 6,042.

Schäfer: roofing materials distribution.

Saint-Gobain Oberland AG (96 7.%): listed on the Frankfurt, Munich and Stuttgart Stock Exchanges. Glass containers (bottles and industrial jars). Sales: €396.8 million. Employees: 1,416. These figures include Westerwald Silikatindustrie, Ruhrglas and Sueddeutsche Altglas GmbH. Subsidiary: GPS Glas Produktions Service: machines for the glass containers industry. Sales: €30.7 million. Employees: 76.

Austria

Eckelt Glas GmbH: flat glass products. Sales: €59.3 million. Employees: 311.

Saint-Gobain Isover Austria AG: insulating materials. Sales: €55.8 million. Employees: 219.

Saint-Gobain Hornstein Glastextil GmbH: paintable glass fabrics. Sales: €17.9 million. Employees: 77.

Rigips Austria GmbH: plaster, plasterboard, insulation products and ceiling tiles. Sales: €83.6 million. Employees: 288.

Belgium

Saint-Gobain Glass Benelux SA: flat glass and flat glass products. Sales: €156.4 million. Employees: 470. These figures include Saint-Gobain Glass Coating. Subsidiaries: Hanin Miroiterie, Techniver, Veiligheidsglas CGG NV, Saint-Gobain Glass Solutions Belgium, Boermans Glasindustrie NV, Burniat Glass, Glorieux NV. Employees of subsidiaries: 522.

Saint-Gobain Glass Exprover: flat glass exports.

Saint-Gobain Sekurit Benelux SA: automotive glass products. Sales: €72.9 million. Employees: 343. Subsidiary: Saint-Gobain Autover Distribution SA. Employees: 109.

Saint-Gobain Abrasives NV: Employees: 23.

Saint-Gobain Matériaux Céramiques Benelux SA: silicon carbide and corundum for the refractory and abrasives industries. Sales: €27.4 million. Employees: 28.

Saint-Gobain Performance Plastics Chaineux SA and Saint-Gobain Performance Plastics Kontich NV: high-performance plastics. Employees: 223.

BPB Belgium NV: plaster and plasterboard. Sales: €107.3 million. Employees: 217.

Saint-Gobain Pipe Systems Belgium: Sales: €39.2 million. Employees: 31.

Hungary

€1 = HUF 251.757

Saint-Gobain Distribution Material Hungary: building materials distribution (31 outlets). Sales: HUF 20.83 billion. Employees: 446.

Luxembourg

Saint-Gobain Abrasives SA (Luxembourg): diamond-tipped tools, disks and drills, asphalt cutters for the construction and civil engineering industries. Sales: €40.9 million. Employees: 128.

Netherlands

Sas Van Gent Glasfabriek BV: reflective glass, enameled glass and tempered glass. Sales: €20.4 million. Employees: 118.

Koninklijke Saint-Gobain Glass NV: construction glass products manufacturing and distribution. Sales: €139.1 million. Employees (including subsidiaries): 694.

Saint-Gobain Autover International BV: distribution of replacement automotive glass. Sales: €21.7 million. Employees: 31.

Saint-Gobain Abrasives Nederland: holding company. Subsidiary: Saint-Gobain Abrasives BV: thin grinding wheels and bonded abrasives. Sales: €101.4 million. Employees: 263.

Saint-Gobain Isover Benelux: insulation products. Sales: €122.2 million. Employees: 309. These figures include Saint-Gobain Isover Benelux SA - (Belgium), Saint-Gobain Api BV and Insulation Solutions BV.

Saint-Gobain Ecophon BV: acoustic ceilings. Employees: 29.

Saint-Gobain Cultilène BV: glass wool and rock wool products for hydroponic (soil-less) cultivation. Sales: €29.2 million. Employees: 49.

Saint-Gobain The Netherlands BV: building materials distribution (52 outlets). Sales: €511.1 million. Employees: 1,330.

Galvano Groothandel BV: plumbing and heating supplies distribution. Sales: €88.3 million. Employees: 186.

Van Keulen: interior solutions and fitted kitchens. Sales: €29.8 million. Employees: 98.

Internationale Maatschappij Voor Het Beheer van Glasmaatschappijen BV (SGT): holding company.

Saint-Gobain Nederland: finance company.

Czech Republic

€1 = CZK 24.966

Saint-Gobain Sekurit CR Spol S.R.O.: laminated glass for the auto industry. Sales: CZK 1.44 billion. Employees: 501.

Izolas S.R.O.: construction glass products manufacturing and distribution. Sales: CZK 458.9 million. Employees: 135.

Saint-Gobain Vertex S.R.O.: Sales: CZK 4.81 billion. Employees (including subsidiaries): 1,526.

Saint-Gobain Advanced Ceramics S.R.O.: Sales: CZK 176.6 million. Employees: 157.

Saint-Gobain Trubni Systemy: Sales: CZK 426.6 million. Employees: 23.

Rigips CZ: plaster, plasterboard, insulation products and ceiling tiles. Sales: CZK 1.51 billion. Employees: 245.

Saint-Gobain Orsil: rock wool insulating materials. Sales: CZK 1.78 billion. Employees: 305.

Saint-Gobain Slevarna S.R.O.: foundry. Sales: CZK 380.8 million. Employees: 134.

Saint-Gobain Building Distribution CZ, AS: building materials distribution (55 outlets). Sales: CZK 3.52 billion. Employees: 684.

W.A.W. - Spol. S.R.O.: tile and bathroom fittings distribution (12 outlets). Sales: CZK 826.7 million. Employees: 229.

Slovakia

€1 = SKK 31.278

Nitrasklo A.S. and **Venisklo Spol S.R.O.:** construction glass products manufacturing and distribution. Sales: SKK 714.5 million. Employees: 179.

Saint-Gobain Construction Products Slovakia: plaster, plasterboard, insulation products and ceiling tiles. Sales: SKK 1.44 billion. Employees: 142.

W.A.W. - Spol. S.R.O.: tile and bathroom fittings distribution (12 outlets). Sales: SKK 456.2 million. Employees: 116.

EASTERN EUROPE

Bulgaria

€1 = BGL 1.956

Saint-Gobain Construction Products Bulgaria Ltd: plaster, plasterboard and insulation products. Sales: BGL 25.7 million. Employees: 20.

Saint-Gobain Weber Bulgaria Eood: industrial mortars. Sales: BGL 22.3 million. Employees: 88.

Poland

€1 = PLN 3.516

Saint-Gobain Glass Polska Sp Zoo: flat glass and flat glass products. Sales: PLN 500.6 million. Employees: 430. Subsidiaries: Glaspol Sp Zoo: construction glass and furniture glass products manufacturing and distribution. Sales: PLN 224.5 million. Employees: 647. HS Jaroszowiec: screen-printing glass. Sales: PLN 75.8 million. Employees: 338. Saint-Gobain Euroveder Polska: glass products for household appliances, photovoltaic glass. Sales: PLN 51.5 million. Employees: 221.

Saint-Gobain Sekurit Hanglas Polska Sp Zoo: automotive glass. Sales: PLN 539.5 million. Employees: 1,500.

Saint-Gobain Velimat Polska Sp Zoo: bonded fiberglass. Sales: PLN 40.8 million. Employees: 96.

Saint-Gobain Abrasives Sp Zoo: abrasive grinding wheels. Sales: PLN 265.8 million. Employees: 1,104.

Saint-Gobain Construction Products Polska Gypsum: plaster, plasterboard, insulation products and ceiling tiles. Sales: PLN 240.8 million. Employees: 227.

Saint-Gobain Construction Products Polska Sp Zoo: insulation products. Sales: PLN 325.9 million. Employees: 379.

Saint-Gobain Dystrybucja Budowlana Sp Zoo: building materials distribution (71 outlets). Sales: PLN 804 million. Employees: 978.

Romania

€1 = RON 3.684

Saint-Gobain Glass Romania SRL: flat glass. Sales: RON 261.3 million. Employees: 265.

Saint-Gobain Isover Romania SRL: rock wool. Sales: RON 112.2 million. Employees: 187.

Rigips Romania SRL: plaster and plasterboard. Sales: RON 221.1 million. Employees: 298.

Russia

€1 = RUB 36.439

Saint-Gobain Construction Products Rus (87.40%): plaster, plasterboard and insulation products. Sales: RUB 4.77 billion. Employees: 477.

Kavminsteklo Zao (86.93%): glass containers. Sales: RUB 2.02 billion. Employees: 962.

Kamyshinsky Steklotarny (92.33%): glass containers. Sales: RUB 959 million. Employees: 1,011.

Turkey

€1 = TRY 1.908

Izocam (47.5%): glass wool and rock wool. Sales: TRY 121.4 million. Employees: 220.

Saint-Gobain Weber Markem: industrial mortars. Sales: TRY 60.3 million. Employees: 242.

Saint-Gobain Rigips Alci: plaster. Sales: TRY 39.2 million. Employees: 102.

Ukraine

€1 = UAH 7.697

Saint-Gobain Construction Products Ukraine: plaster, plasterboard and insulation products. Sales: UAH 183.7 million. Employees: 53.

Consumers Sklo Zorya (96.68%): glass containers. Sales: UAH 443.3 million. Employees: 767.

SPAIN, PORTUGAL & MOROCCO

Spain

Saint-Gobain Cristaleria SA: construction glass, automotive glass, insulation materials (glass wool and rock wool) and related products. Sales: €543.4 million. Employees: 1,529. Subsidiaries:

- Saint-Gobain Autover: replacement automotive glass distribution.
- Saint-Gobain Wanner: thermal and acoustic insulation. Sales: €66.4 million. Employees: 320.
- Industrias del Cuarzo (Incusa): sand quarry. Employees: 53.
- Procustic SA: acoustic insulation products manufacturing and distribution.
- Portaglas SL: Sales: €19.1 million. Employees: 88. Subsidiary: Saint-Gobain Glass Solarcontrol SL: Sales: €35.7 million. Employees: 90.

La Veneciana: flat glass product and mirror glass manufacturing, distribution and installation. Sales (including subsidiaries): €131.6 million. Employees (including subsidiaries): 646. Subsidiaries: La Veneciana Norte, La Veneciana Bética, Cristaleria Industrial (CRISA), Vidrios de Seguridad Laminados (VISLAM).

Saint-Gobain Abrasivos: abrasive grinding wheels. Sales: €40.0 million. Employees: 174.

Saint-Gobain Ceramicas Industriales: technical ceramics manufacturing and high-performance plastics distribution. Employees: 60.

Saint-Gobain Placo Iberica, SA: plasterboard. Sales: €259.4 million. Employees: 735.

Saint-Gobain Canalizacion: ductile cast-iron pipes. Sales: €211.7 million. Employees: 261. Subsidiary: Saniplast: distribution of pipes and accessories. Sales: €65.6 million. Employees: 164.

Discesur: ceramic tile distribution. Sales: €43.2 million. Employees: 102.

Saint-Gobain Vicasa SA: glass containers (bottles and industrial jars). Sales: €333.2 million. Employees: 1,113. These figures include Saint-Gobain Montblanc SA: glass containers. Associated company: Vidrieras Canarias (41%): glass containers. Sales: €20.3 million. Employees: 94.

Portugal

Saint-Gobain Glass Portugal: construction glass, construction glass products, glass for household appliances. Sales: €80.8 million. Employees: 129. Subsidiaries: Covipor-CIA Vidreira do Norte, Covilis and EVI-Pruducao de Energia: construction glass products. Sales: €54.6 million. Employees: 199.

Saint-Gobain Sekurit Portugal Vidro Automovel: automotive glass products. Sales: €58.7 million. Employees: 284. Subsidiary: Autover Lusa (60%): replacement automotive glass distribution.

Saint-Gobain Abrasivos Lda: abrasives distribution. Employees: 39.

Saint-Gobain Mondego: glass containers (bottles and industrial jars). Sales: €82.7 million. Employees: 237.

UNITED KINGDOM, REPUBLIC OF IRELAND AND SOUTH AFRICA

South Africa

€1 = ZAR 12.066

Saint-Gobain Abrasives South Africa: bonded abrasives, superabrasives and grinding wheels. Sales: ZAR 73.6 million. Employees: 177.

Saint-Gobain Isover South Africa: insulation products. Sales: ZAR 288.4 million. Employees: 408.

BPB Gypsum (Pty) Ltd: plaster, plasterboard and ceiling tiles. Sales: ZAR 1.08 billion. Employees: 454.

Donn Products Pty: plasterboard and ceiling tiles. Sales: ZAR 367.7 million. Employees: 109.

Saint-Gobain Pipelines South Africa: cast-iron parts. Sales: ZAR 238.2 million. Employees: 370.

Republic of Ireland

Chemfab Holding: Subsidiaries: Chemfab Ireland Ltd and Saint-Gobain PPL Ireland: PTFE and silicone-coated fabrics, adhesive tapes. Sales: €19.5 million. Employees: 73.

Glasuld Ireland: insulation products.

Moy-Isover Ltd: insulation products. Sales: €13 million. Employees: 12.

Gypsum Industries Ltd Ireland: plaster, plasterboard and ceiling tiles. Sales: €87.9 million. Employees: 233.

United Kingdom

€1 = GBP 0.797

Solaglas Ltd: construction glass products manufacturing and distribution (tempered glass, laminated glass, mirrors, insulating glass). Network of 31 sites, including 9 production facilities, throughout the UK. Sales: GBP 157 million. Employees: 1,544. These figures comprise all Solaglas Ltd subsidiaries, including: Hayes Group, Dockrell Glass Group: construction glass products; Thermax, Birmingham Build: automotive and construction glass products; Saint-Gobain Glass Ltd: UK distributor for Flat Glass division and Packaging Sector products.

Saint-Gobain Ceramics & Plastics Plc: holding company. Subsidiaries:
- Saint-Gobain Industrial Ceramics Ltd: high-temperature insulating fiber and refractory products. Employees: 57.
- Saint-Gobain Performance Plastics Corby and Saint-Gobain Performance Plastics Tygaflor Ltd: heat-resistant hose, tubing and bundles for beverage-dispensing applications. Employees: 50.
- Saint-Gobain Quartz Plc: silica parts for the chemical industry, fused quartz for the semi-conductor industry, optical fiber, infrared heaters and laboratory equipment. Sales: GBP 10.2 million. Employees: 27.

Abrasives Plc: Subsidiary: Saint-Gobain Abrasives Ltd. Sales: GBP 51.7 million. Employees: 354. bonded and coated abrasives, superabrasives (through various subsidiaries).

Saint-Gobain Plc: holding company. Subsidiaries:
- Saint-Gobain Glass UK Ltd: flat glass and flat glass products. Sales: GBP 84.3 million. Employees: 195.
- Saint-Gobain Technical Fabrics UK Ltd.
- Saint-Gobain Insulation UK. Subsidiary: British Gypsum Isover: insulation products. Sales: GBP 49.9 million. Employees: 161.

British Plaster Board (Bpb Plc): plasterboard, construction plaster and other specialty plasters. Sales: GBP 453.2 million. Employees (including subsidiaries): 1,651.

Saint-Gobain PAM Ltd: ductile cast-iron pipes and hydraulic connectors for water and sewer networks; hydraulic valves; cast-iron and steel municipal castings, cast-iron construction products. Sales: GBP 119.2 million. Employees: 487. Associated company: Stanton Bonna Concrete Ltd (20%): concrete pipes.

Saint-Gobain Building Distribution Ltd.: holding company: building materials distribution (936 outlets in the United Kingdom and Ireland). Sales: GBP 2.28 billion. Employees (including subsidiaries): 12,786. Of which:

- Jewson Ltd. 7,637 employees.
- Graham Ltd. 1,363 employees.

ITALY, GREECE & EGYPT

Egypt

BPB Placo Egypt for Industrial Investments Sae - Egypt: plaster. Employees: 331.

Italy

Saint-Gobain Glass Italia SpA: flat glass and flat glass products. Sales: €146 million. Employees: 312. Subsidiaries:

- Flovetro SpA (50%): float glass and float glass products. Sales: €10.2 million. Employees: 50.
- SGGI Logistica Servizi: road transport.
- Saint-Gobain Glass Italia Distribuzione S.R.L: glass products manufacturing and distribution. Sales: €52.9 million. Employees: 51.
- Vetreira Industriale Saint-Gobain (V.I.S) SRL Employees: 34.

Saint-Gobain Sekurit Italia S.R.L: automotive glass products. Sales: €74.2 million. Employees: 253. Subsidiaries: SG Autover Italia S.R.L., SG Sicurglass S.R.L. and Sicurglass Sud. Total sales by the subgroup: €61.6 million. Employees: 337.

Saint-Gobain Euroveder Italia SpA: tempered glass for household appliances. Sales: €33.4 million. Employees: 255.

Saint-Gobain Abrasivi SpA: abrasive grinding wheels. Sales: €107.1 million. Employees: 396.

SEPR Italia SpA: fused-cast refractory products. Sales: €37 million. Employees: 180.

Saint-Gobain Isover Italia: insulation products and sealing products (roofing materials, fiberglass mat siding). Sales: €68.3 million. Employees: 191.

BPB Italia SpA: plaster, plasterboard and ceiling tiles. Sales: €165.2 million. Employees: 389.

Saint-Gobain PAM Italia SpA: ductile cast-iron pipes. Sales: €109.3 million. Employees: 104.

Vemac SRL: building materials distribution (11 outlets). Sales: €63.2 million. Employees: 206.

Saint-Gobain Vetri SpA: glass containers (bottles and industrial jars). Sales: €512.5 million. Employees: 1,210 These figures include Ecoglass: cullet collection and processing.

NORDIC COUNTRIES & BALTIC STATES

Denmark

€1 = DKK 7.456

Saint-Gobain Glass Nordic A/S: insulating and tempered glass. Sales: DKK 403.5 million. Employees: 362.

Saint-Gobain Isover A/S: insulation products. Sales: DKK 503.4 million. Employees: 226.

Saint-Gobain Ecophon Production A/S: acoustic products.

Gypsum A/S: plasterboard and ceiling tiles. Sales: DKK 389.7 million. Employees: 178.

Optimera Danmark A/S: building materials distribution (19 outlets). Sales: DKK 1.39 billion. Employees: 553.

Finland

Saint-Gobain Sekurit Finland Oy: automotive glass products. Sales: €13.9 million. Employees: 103.

Saint-Gobain Autover Finland Oy: replacement glass. Employees: 15.

Finnglass Oy and **Verinvest Oy:** construction glass products manufacturing and distribution. Employees: 37.

Saint-Gobain Rakennustuotteet Oy: insulation products. Sales: €155.5 million. Employees: 392.

Norway

€1 = NOK 8.230

Brodrene Böckmann A/S: insulating glass. Sales: NOK 585.5 million. Employees: 394.

Saint-Gobain Autover Bilglas A/S: replacement glass. Sales: NOK 110.7 million. Employees: 66.

Saint-Gobain Ceramic Materials A/S: silicon carbide products. Sales: NOK 591.1 million. Employees: 285.

Optimera A/S: building materials distribution (79 outlets). Sales: NOK 5.52 billion. Employees: 2,275.

Sweden

€1 = SEK 9.621

Emmaboda Glas AB: insulating and tempered glass. Sales: SEK 445.7 million. Employees: 207.

Saint-Gobain Sekurit Scandinavia AB: tempered and laminated automotive glass. Sales: SEK 510.1 million. Employees: 163.

Saint-Gobain Abrasives AB: abrasives. Sales: SEK 198.4 million. Employees: 33.

Saint-Gobain Isover AB: insulation products. Sales: SEK 1.04 billion. Employees: 449.

Saint-Gobain Ecophon AB: acoustic ceilings. Sales: SEK 1.24 billion. Employees: 457. These figures include Saint-Gobain Ecophon Product. A/S - Denmark.

Maxit Holding AB: industrial mortars, with operations in 30 countries. Sales: SEK 9.81 billion. Employees: 4,276.

Saint-Gobain Distribution Nordic AB: plumbing and heating supplies distribution under the Dahl banner in Sweden, Norway, Denmark, Finland, Poland, Romania and Estonia (308 outlets) Sales: SEK 22.1 billion. Employees: 4,626.

Optimera Svenska AB: building materials distribution (33 outlets). Sales: SEK 2.29 billion. Employees: 900.

Estonia

Saint-Gobain Sekurit Eesti A/S: replacement windscreens. Sales: €25.5 million. Employees: 190.

AS Baltiklaas: construction glass products manufacturing and distribution. Sales: €19 million. Employees: 138.

Saint-Gobain Ehitustooted Eesti A/S: insulation products and plasterboard. Sales: €19.5 million. Employees: 24.

Optimera Estonia: building materials distribution (16 outlets). Sales: €70.3 million. Employees: 528.

Latvia

SIA-Saint-Gobain Isover: insulation products distribution. Employees: 18.

Lithuania

UAB Saint-Gobain Isover: insulation products distribution. Employees: 13.

OTHER EUROPEAN COUNTRIES

Switzerland

€1 = CHF 1.587

Saint-Gobain Glass Solutions Suisse AG: construction glass products manufacturing and distribution. Sales: CHF 70.3 million. Employees: 221.

Vetrotech Saint-Gobain International AG: glass ceramic hobs. Sales: CHF 86.5 million. Employees: 136.

Saint-Gobain Isover SA: insulation products manufacturing and marketing; fiberglass reinforcements distribution. Sales: CHF 77.9 million. Employees: 177.

Rigips AG: plaster, plasterboard, insulation products and ceiling tiles. Sales: CHF 81.9 million. Employees: 162.

Sanitas Troesch: fitted bathrooms and kitchens distribution (31 outlets). Sales: CHF 589.8 million. Employees: 928.

International Saint-Gobain: holding company.

NORTH AMERICA

Canada

€1 = CAD 1.560

Saint-Gobain Technical Fabrics Canada, Ltd.: industrial door and window parts. Sales: CAD 21.4 million. Employees: 91.

Decoustics: acoustic products. Sales: CAD 31.1 million. Employees: 118.

CertainTeed Gypsum Canada, Inc.: plasterboard. Sales: CAD 312.5 million. Employees: 635.

United States

€1 = USD 1.471

Saint-Gobain Corporation: holding company.

CertainTeed Corporation: insulation products and building materials. This sector includes the following business lines:
• Roofing shingles for the homebuilding and renovation market.
• Roofing products for the commercial building market.
• Roofing granules.
• PVC pipe and exterior products (fencing, decking and railings).
• Siding

Subsidiaries:

- Saint-Gobain Technical Fabrics America, Inc.: industrial reinforcements.
- Saint-Gobain BayForm America Inc. industrial door and window parts.
- Ecophon C.T.T.: acoustic ceiling distribution.

Sales: USD 2.95 billion. Employees: 5,456. CertainTeed Corporation sales and employees include Saint-Gobain Technical Fabrics America, Ecophon C.T.T. Bird Inc. and GS Roofing.

Saint-Gobain Glass Corporation: holding company. Subsidiaries: Saint-Gobain Sekurit USA Inc., HCS Corporation, Vetrotech Saint-Gobain North America Inc. Total sales: USD 22 million. Employees: 51.

Eurokera North America (50%): glass ceramic hobs. Sales: USD 39 million. Employees: 64.

Saint-Gobain Abrasives, Inc.: bonded and coated abrasives, superabrasives. Sales: USD 785.3 million. Employees: 3,477. These figures include Saint-Gobain Universal Superabrasives, Inc. Main subsidiaries in the United States, Canada, Mexico and New Zealand.

Saint-Gobain Ceramics & Plastics, Inc.: and subsidiaries: technical and advanced ceramics, chemical process products, high-performance plastics, fused-cast refractory products, special ceramic grains and silicon carbide products. Sales: USD 1.56 billion. Employees: 5,096. These figures include the consolidated subsidiaries.

Norandex Building Materials Distribution: building materials distribution (155 outlets); siding production. Sales: USD 585.2 million. Employees: 1,289.

Meyer International Inc.: Sales: USD 73.1 million. Employees: 234.

CertainTeed Gypsum & Ceilings USA: plaster, plasterboard and ceiling tiles. Sales: USD 456.8 million. Employees: 892.

Saint-Gobain Containers, Inc.: glass containers (bottles and jars). Sales: USD 1.49 billion. Employees: 4,522.

MEXICO, COLOMBIA & VENEZUELA

Colombia

€1 = COP 2,869.69

Saint-Gobain de Colombia: automobile and construction glass. Sales: COP 84 billion. Employees: 392.

Productora de Abrasivos: coated abrasives and grinding wheels. Sales: COP 38.7 billion. Employees: 94.

FiberGlass Colombia (66.76%): glass wool for the building and manufacturing industries.

PAM Colombia SA: water supply pipes. Sales: COP 45.9 billion. Employees: 17.

Mexico

€1 = MXN 16.304

Saint-Gobain Glass Mexico: flat glass and flat glass products. Sales: MXN 1.96 billion. Employees: 449.

Saint-Gobain Sekurit Mexico: automotive glass. Sales: MXN 1.16 billion. Employees: 919.

Saint-Gobain Vetrotex America - Xicoh: insect screens. Sales: MXN 749.4 million. Employees: 491.

Venezuela

€1 =VEB 3,158.655

Saint-Gobain Abrasivos CA: coated abrasives and grinding wheels. Sales: VEB 27.5 billion. Employees: 92.

Saint-Gobain Materiales Ceramicos CA: silicon carbide. Sales: VEB 55.9 billion. Employees: 45.

Fivenglass (66.76%): insulation products distribution.

BRAZIL, ARGENTINA & CHILE

Argentina

€1 = ARS 4.711

Vidrieria Argentina (VASA) (49%): construction glass. Sales: ARS 208.8 million. Employees: 150.

Saint-Gobain Abrasivos Argentina: bonded abrasives manufacturing and distribution. Sales: ARS 41.4 million. Employees: 32.

Saint-Gobain Isover Argentina: fiberglass insulation and reinforcement products. Sales: ARS 71 million. Employees: 130.

Barugel Azulay: kitchen, bathroom and tile distribution (14 outlets). Sales: ARS 196.6 million. Employees: 297.

Rayen Cura Saic (60%): glass containers (bottles). Sales: ARS 288.4 million. Employees: 300.

Brazil

€1 = BRL 2.674

Saint-Gobain Do Brazil Ltda: construction glass, automotive glass, fiberglass insulation and reinforcement products. Sales: BRL 1.3 billion. Employees: 3,706. Subsidiary:
- Santa Veronica. owns Mineraçao Jundu (50%): quarry operator. Employees: 177.

Saint-Gobain Do Brazil Weber: tile adhesive. Sales: BRL 485 million. Employees: 898.

Saint-Gobain Vidros SA: glass containers (bottles and industrial jars) and glassware. Sales: BRL 453.9 million. Employees: 989.

Cebrace (50%): flat glass and flat glass products. Sales: BRL 836.2 million. Employees: 906.

Saint-Gobain Abrasivos Ltda: bonded and coated abrasives. Sales: BRL 452 million. Employees: 1,305.

Saint-Gobain Canalização: ductile cast-iron pipes and connectors. Sales: BRL 424.2 million. Employees: 1,323.

Chile

€1 = CLP 762.382

Inversiones Float Chile Ltda (49%): flat glass and flat glass products. Subsidiary: Vidrios Lirquen (51%): flat glass and flat glass products. Sales: CLP 18.4 billion. Employees: 135.

Saint-Gobain Envases SA (51%): glass containers (bottles). Sales: CLP 16 billion. Employees: 179.

ASIA-PACIFIC

Australia

€1 = AUD 1.742

Saint-Gobain Abrasives Australia Pty: Sales: AUD 94.5 million. Employees: 255.

South Korea

€1 = KRW 1,605.84

Hankuk Glass Industries Inc. (77%), listed on the Seoul Stock Exchange: flat glass. Sales: KRW 292.7 billion. Employees: 685. Subsidiaries:
- Hankuk Sekurit Limited (88.4%): automotive glass products. Sales: KRW 182 billion. Employees: 457.
- Hankuk Haniso. Sales: KRW 82.6 billion. Employees: 189.

Indonesia

Saint-Gobain Winter Diamas (75%). Employees: 246.

Japan

€1 = JPY 152.358

Saint-Gobain KK: superabrasives, technical ceramics, high-performance plastics. Sales: JPY 17.6 billion. Employees: 260.

Saint-Gobain TM KK (60%): glass furnace refractories. Sales: JPY 10.1 billion. Employees: 195.

MAG (43.6%): glass wool. Sales: JPY 4.6 billion. Employees: 175.

Singapore

€1 = SGD 2.076

Saint-Gobain Abrasives Singapore: Sales: SGD 35.6 million. Employees: 46.

Thailand

€1 = THB 48.455

Saint-Gobain Sekurit Thailand (95%): automotive glass products. Sales: THB 2.9 billion. Employees: 726.

Saint-Gobain Abrasives Thailand Ltd (83.3%). Employees: 154.

Thai Gypsum Products Plc (99.7%): plaster and plasterboard. Sales: THB 3.20 billion. Employees: 453. Subsidiary: BPB Asia Ltd. Employees: 41.

CHINA

€1 = CNY 10.227

Saint-Gobain Hanglas Safety Shanghai: automotive glass products. Sales: CNY 952.2 million. Employees: 708.

Saint-Gobain Sekurit Shanghai Co. Ltd.: automotive glass products. Sales: CNY 105.8 million. Employees: 70.

Nanjing Saint-Gobain Hanglas (73.5%). Sales: CNY 215.8 million. Employees: 504.

Qingdao Saint-Gobain Hanglas Clfg Co. Ltd. (91.2%). Sales: CNY 340.7 million. Employees: 299.

Eurokera Guangzhou Co. Ltd. (50%): glass ceramic hob finishing products.

Kunshan Yongxin Glassware Co. Ltd. Sales: CNY 191.9 million. Employees: 362.

SEPR Beijing (87.8%): fused-cast refractory products. Sales: CNY 311.6 million. Employees: 537.

Saint-Gobain Ceramic Materials China (Lianyungang). Sales: CNY 68.6 million. Employees: 22.

Saint-Gobain Ceramic Materials Mudanjiang Co. Ltd. Sales: CNY 212.2 million. Employees: 332.

Saint-Gobain Abrasives Shanghai: abrasive grinding wheels. Sales: CNY 573.9 million. Employees: 549.

SGTF (Changzhou) Co. Ltd. (80%). Sales: CNY 102.9 million. Employees: 199.

Saint-Gobain Pipelines Co. Ltd.: ductile cast iron pipes. Sales: CNY 1,288.7 million. Employees: 998.

Saint-Gobain Xuzhou Pipelines Co. Ltd. (75%). Sales: CNY 1,521.6 million. Employees: 531.

Saint-Gobain Foundry Co. Ltd.: Employees: 270.

Saint-Gobain Xugang Pipe Cie. Ltd. (Xuzhou General Iron and Steel Works): liquid cast iron production. Subsidiary: Ductile Iron Pipe Co. (D.I.P.). Sales: CNY 1,750.6 million. Employees: 2 877.

La Maîson (SGDB China): home improvement products distribution. Sales: CNY 145.1 million. Employees: 350.

INDIA

€1 = INR 63.567

Saint-Gobain Glass India Ltd.: Sales: INR 10.98 billion. Employees: 936.

Saint-Gobain Sekurit India (85.2%), listed on the Mumbai Stock Exchange: automotive glass products. Sales: INR 788.1 million. Employees: 176.

Grindwell Norton Ltd. (51.9%), listed on the Mumbai Stock Exchange: abrasives and ceramics. Sales: INR 5.06 billion. Employees: 1,516.

SEPR Refractories India Ltd.: fused-cast refractory products. Sales: INR 814.5 million. Employees: 299.

India Gypsum Ltd.: plaster and plasterboard. Sales: INR 2.85 billion. Employees: 495.

OTHER COUNTRIES

SADIP - Saudi Arabia (20%): ductile cast-iron pipes.

Statement

Statement by the person responsible for the Registration Document and the Annual Financial Report

“I hereby declare that to the best of my knowledge, and having taken all reasonable precautions, the information contained in the Registration Document is correct, and that no information has been omitted that would be likely to alter an investor’s opinion.

I further declare that to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of Compagnie de Saint-Gobain and the undertakings in the consolidation taken as a whole, and that the management report includes a fair review of the development and performance of the business, profit or loss and financial position of the Company and the undertakings in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

I obtained a statement from the Statutory Auditors at the end of their audit engagement in which they confirm having verified the information regarding the financial position and the accounts contained here within, and having examined the entire Registration Document.”

Courbevoie,
March 24, 2009

Pierre-André de CHALENDAR
Chief Executive Officer

Table of concordance

The following information is incorporated by reference in the Registration Document:

- The consolidated financial statements and the parent company financial statements for the year ended December 31, 2007 and the Statutory Auditors' reports on the consolidated financial statements and the parent company financial statements for the same period, and the Group management report, which are contained in the Registration Document filed with the *Autorité des Marchés Financiers* on April 8, 2008 under no D.08-0214.
- The consolidated financial statements and the parent company financial statements for the year ended December 31, 2006 and the Statutory Auditors' reports on the consolidated financial statements and the parent company financial statements for the same period, and the Group management report, which are contained in Registration Document filed with the *Autorité des Marchés Financiers* on March 29, 2007 under no. D.07-0247.

COMPAGNIE DE SAINT-GOBAIN France Head Office

Head Office
Les Miroirs
18, avenue d'Alsace
F-92400 Courbevoie
Postal address: Les Miroirs
92096 La Défense Cedex
France
Tel.: +33 (1) 47 62 30 00
http://www.saint-gobain.com

INNOVATIVE MATERIALS

Flat Glass
Tel.: +33 (1) 47 62 34 00

High-Performance Materials
Tel.: +33 (1) 47 62 37 00

CONSTRUCTION PRODUCTS

Tel.: +33 (1) 47 62 45 00

BUILDING DISTRIBUTION

Tel.: +33 (1) 47 62 53 00

PACKAGING

Tel.: +33 (1) 47 62 38 00

CENTRAL EUROPE

General Delegation
Viktoria-Allee 3-5
D-52066 Aachen
Germany
Tel.: + 49 (241) 51 60
www.saint-gobain.de

Belgium Office
Boulevard de la Plaine, 5
B-1050 Brussels - Belgium
Tel.: +32 (2) 645 87 11
www.saint-gobain.be

UNITED KINGDOM, REPUBLIC OF IRELAND, SOUTH AFRICA

General Delegation
Saint-Gobain House
Binley Business Park
Coventry CV3 2TT - United Kingdom
Tel.: +44 (0) 24 7656 0720
www.saint-gobain.co.uk

South Africa Office
Shared Service Centre
77 Ostend Road
Germiston South - South Africa
Tel.: +27 (0) 11 345 5300
www.saint-gobain.co.za

SPAIN, PORTUGAL, MOROCCO

General Delegation
Edificio Ederra-Centro Azca
Paseo de la Castellana n° 77
E-28046 Madrid - Spain
Tel.: +34 (91) 397 20 00

ITALY, EGYPT, GREECE

General Delegation
Via E. Romagnoli, 6
I-20146 Milan - Italy
Tel.: +39 (0) 2 42 431
www.saint-gobain.it

NORDIC COUNTRIES, BALTIC STATES

General Delegation
Box 501
SE-191 24 Sollentuna - Sweden
Tel.: +46 (8) 58 70 64 00

EASTERN EUROPE

General Delegation
Atrium Plaza - Al Jana Pawla II 29
00867 Warsaw - Poland
Tel.: +48 22 653 79 00

Romania,
Bulgaria and Turkey Office
S-Park, 11-15 rue Tipografilor
Bât. B3-B4
Bucarest 1 - Romania
Tel.: +40 (21) 207 57 00
www.saint-gobain.ro

Ukraine and Russia Office
Legion Business Centre
Bolshaya Ordynka, 40 - Building. 4
119 017 Moscow - Russia
Tel.: +7 (499) 929 55 70

NORTH AMERICA

General Delegation
750 E. Swedesford Road
PO Box 860
Valley Forge, PA 19482-0101
United States
Tel.: +1 (610) 341 70 00
www.saint-gobain-corporation.com

BRAZIL, ARGENTINA, CHILE

General Delegation
Avenida Santa Marina, 482
Àgua Branca
05036-903 - São Paulo - Brazil
Tel.: +55 (11) 2246 7622
www.saint-gobain.com.br

MEXICO, COLOMBIA, CENTRAL AMERICA, VENEZUELA, PERU

General Delegation
Horacio N° 1855-502
Colonia Polanco
11510 Mexico City - Mexico
Tel.: +52 (55) 52 79 16 00
www.saint-gobain.com.mx

ASIA, PACIFIC

General Delegation
1701, Ocean Tower
550 Yan An East Road
Shanghai 200001
China
Tel.: +86 (21) 63 61 88 99
www.saint-gobain.com.cn

Japan Office
Saint-Gobain Bldg
3-7 Kojimachi, Chiyoda-Ku
102-0083 Tokyo - Japan
Tel.: +813 52 75 08 61
www.saint-gobain.co.jp

Thailand Office
539/2 Gypsum Metropolitan Tower
Si Ayutthaya Road, Ratchathewi
Bangkok 10400 - Thailand
Tel.: +66 (0) 2 640 54 10
www.saint-gobain.co.th

INDIA, SRI LANKA, BANGLADESH

General Delegation
Level 5, Leela Business Park,
Andheri Kurla Road, Andheri (East)
Mumbai 400059 - India
Tel.: +91 (0) 22 40 21 21 21
www.saint-gobain.co.in

Notes

This document is printed on recyclable, biodegradable paper, made and bleached using chlorine-free processes at European plants compliant with ISO 9001 (on quality management), ISO 14001 (on environmental management), FSC and PEFC (on sustainable forestry) and EMAS (on environmental performance). The paper is certified to foodstuffs grade by ISEGA and is free of heavy metals (under 100 ppm).

SAINT-GOBAIN

EXTERNAL COMMUNICATIONS DEPARTMENT
LES MIROIRS – 92096 LA DÉFENSE CEDEX – FRANCE
www.saint-gobain.com

Designed and produced by: eurokapi – Photo credits: Franck Dunouau, Saint-Gobain photo Librairy; DR.