

# **CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED  
DECEMBER 31, 2009**



**CONSOLIDATED BALANCE SHEET**

<i>(in EUR millions)</i>	Notes	Dec. 31, 2009	Dec. 31, 2008
<b>ASSETS</b>			
Goodwill	(3)	10,740	10,671
Other intangible assets	(4)	2,998	2,868
Property, plant and equipment	(5)	13,300	13,374
Investments in associates	(6)	123	116
Deferred tax assets	(15)	676	507
Other non-current assets	(7)	312	490
<b>Non-current assets</b>		<b>28,149</b>	<b>28,026</b>
Inventories	(8)	5,256	6,113
Trade accounts receivable	(9)	4,926	5,647
Current tax receivable		333	248
Other receivables	(9)	1,202	1,424
Cash and cash equivalents	(19)	3,157	1,937
<b>Current assets</b>		<b>14,874</b>	<b>15,369</b>
<b>Total Assets</b>		<b>43,023</b>	<b>43,395</b>
<b>EQUITY AND LIABILITIES</b>			
Capital stock	(10)	2,052	1,530
Additional paid-in capital and legal reserve		5,341	3,940
Retained earnings and net income for the year		10,137	10,911
Cumulative translation adjustments		(1,340)	(1,740)
Fair value reserves		(75)	(161)
Treasury stock	(10)	(203)	(206)
<b>Shareholders' equity</b>		<b>15,912</b>	<b>14,274</b>
Minority interests		302	256
<b>Total equity</b>		<b>16,214</b>	<b>14,530</b>
Long-term debt	(19)	8,839	10,365
Provisions for pensions and other employee benefits	(14)	2,958	2,443
Deferred tax liabilities	(15)	921	1,130
Other non-current liabilities and provisions	(16)	2,169	1,950
<b>Non-current liabilities</b>		<b>14,887</b>	<b>15,888</b>
Current portion of long-term debt	(19)	1,880	1,364
Current portion of other liabilities	(16)	518	460
Trade accounts payable	(17)	5,338	5,613
Current tax liabilities		108	263
Other payables and accrued expenses	(17)	3,086	3,390
Short-term debt and bank overdrafts	(19)	992	1,887
<b>Current liabilities</b>		<b>11,922</b>	<b>12,977</b>
<b>Total Equity and Liabilities</b>		<b>43,023</b>	<b>43,395</b>

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

**CONSOLIDATED INCOME STATEMENT**

<i>(in EUR millions)</i>	Notes	<b>2009</b>	<b>2008</b>
Net sales	(32)	37,786	43,800
Cost of sales	(22)	(28,804)	(32,923)
Selling, general and administrative expenses including research	(22)	(6,766)	(7,228)
<b>Operating income</b>		<b>2,216</b>	<b>3,649</b>
Other business income	(22)	36	54
Other business expense	(22)	(1,012)	(889)
<b>Business income</b>		<b>1,240</b>	<b>2,814</b>
Borrowing costs, gross		(666)	(771)
Income from cash and cash equivalents		46	64
<b>Borrowing costs, net</b>		<b>(620)</b>	<b>(707)</b>
Other financial income and expense	(23)	(185)	(43)
<b>Net financial expense</b>		<b>(805)</b>	<b>(750)</b>
Share in net income of associates	(6)	2	11
Income taxes	(15)	(196)	(638)
<b>Net income</b>		<b>241</b>	<b>1,437</b>
<b>Attributable to equity holders of the parent</b>		<b>202</b>	<b>1,378</b>
Minority interests		39	59
<b>Earnings per share (in EUR )</b>			
Weighted average number of shares in issue		473,244,410	374,998,085
Basic earnings per share	(25)	0.43	3.67
Weighted average number of shares assuming full dilution		473,543,327	376,825,178
Diluted earnings per share	(25)	0.43	3.66

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

**CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE**

<i>(in EUR millions)</i>	Shareholders' equity		Minority interests	Total equity
	Before tax effect	Tax effect		
<b>2008</b>				
<i>Net income</i>	<b>1,983</b>	<b>(605)</b>	<b>59</b>	<b>1,437</b>
Translation adjustments	(1,176)		(36)	(1,212)
Changes in fair values	(169)	50		(119)
Changes in actuarial gains and losses	(647)	228	(1)	(420)
Other	3	(10) (a)	(4)	(11)
<b><i>Income and expense recognized directly in equity</i></b>	<b>(1,989)</b>	<b>268</b>	<b>(41)</b>	<b>(1,762)</b>
Total recognized income and expense for the year	(6)	(337)	18	(325)
<b>2009</b>				
<i>Net income</i>	<b>379</b>	<b>(177)</b>	<b>39</b>	<b>241</b>
Translation adjustments	400		24	424
Changes in fair values	86	(26)		60
Changes in actuarial gains and losses	(724)	217		(507)
Other			3	3
<b><i>Income and expense recognized directly in equity</i></b>	<b>(238)</b>	<b>191</b>	<b>27</b>	<b>(20)</b>
Total recognized income and expense for the year	141	14	66	221

(a) Deferred tax assets recognized in 2007 in respect of tax credits receivable on exercise of stock options held by UK and US employees were updated and accordingly reduced in 2008. Of the total adjustment, €10 million was recognized in equity and €5 million in profit.

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

**CONSOLIDATED CASH FLOW STATEMENT**

<i>(in EUR millions)</i>	Notes	2009	2008
<b>Net income attributable to equity holders of the parent</b>		<b>202</b>	<b>1 378</b>
Minority interests in net income		39	59
Share in net income of associates, net of dividends received	(6)	2	(7)
Depreciation, amortization and impairment of assets	(22)	1 857	1 681
Gains and losses on disposals of assets	(22)	32	(53)
Unrealized gains and losses arising from changes in fair value and share-based payments		100	15
Changes in inventories	(8)	989	(205)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(9) (17)	509	477
Changes in tax receivable and payable	(15)	(216)	(96)
Changes in deferred taxes and provisions for other liabilities and charges	(14)(15)(16)	(124)	(270)
Charge to provision for competition litigation	(27)		400
<b>Net cash from operating activities</b>		<b>3 390</b>	<b>3 379</b>
Purchases of property, plant and equipment [2009: (1,249), 2008: (2,149) ] and intangible assets	(4) (5)	(1 319)	(2 228)
Increase (decrease) in amounts due to suppliers of fixed assets	(17)	(105)	(70)
Acquisitions of shares in consolidated companies [2009: (200), 2008: (2,328)], net of cash acquired	(2)	(180)	(2 226)
Acquisitions of other investments	(7)	(4)	(30)
Increase in investment-related liabilities	(16)	29	159
Decrease in investment-related liabilities	(16)	(59)	(103)
<b>Investments</b>		<b>(1 638)</b>	<b>(4 498)</b>
Disposals of property, plant and equipment and intangible assets	(4) (5)	71	174
Disposals of shares in consolidated companies, net of cash divested	(2)	6	42
Disposals of other investments and other divestments	(7)	6	27
<b>Divestments</b>		<b>83</b>	<b>243</b>
Increase in loans and deposits	(7)	(39)	(53)
Decrease in loans and deposits	(7)	47	55
<b>Net cash from (used in) investing activities</b>		<b>(1 547)</b>	<b>(4 253)</b>
Issues of capital stock	(*)	1 923	356
Minority interests' share in capital increases of subsidiaries	(*)	6	4
(Increase) decrease in treasury stock	(*)	6	(7)
Dividends paid	(*)	(486)	(767)
Dividends paid to minority shareholders of consolidated subsidiaries and increase		(27)	(65)
Increase (decrease) in bank overdrafts and other short-term debt		(985)	762
Increase in long-term debt		2 281	2 987
Decrease in long-term debt		(3 389)	(1 642)
<b>Net cash from (used in) financing activities</b>		<b>(671)</b>	<b>1 628</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>1 172</b>	<b>754</b>
Net effect of exchange rate changes on cash and cash equivalents		48	(111)
<b>Cash and cash equivalents at beginning of year</b>		<b>1 937</b>	<b>1 294</b>
<b>Cash and cash equivalents at end of year</b>		<b>3 157</b>	<b>1 937</b>

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

Income tax paid amounted to €555 million in 2009 (2008: €734 million). Interest paid net of interest received amounted to €592 million in 2009 (2008: €603 million).

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Number of shares</i>		<i>In EUR millions</i>								
	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	Share- holders' equity	Minority interests	Total equity
<b>At December 31, 2007</b>	<b>374,216,152</b>	<b>369,840,183</b>	<b>1,497</b>	<b>3,617</b>	<b>10,625</b>	<b>(564)</b>	<b>8</b>	<b>(206)</b>	<b>14,977</b>	<b>290</b>	<b>15,267</b>
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
<b>Total recognized income and expense for the year</b>			<b>0</b>	<b>0</b>	<b>1,002</b>	<b>(1,176)</b>	<b>(169)</b>	<b>0</b>	<b>(343)</b>	<b>18</b>	<b>(325)</b>
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 (EUR 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
<b>At December 31, 2008</b>	<b>382,571,985</b>	<b>378,026,836</b>	<b>1,530</b>	<b>3,940</b>	<b>10,911</b>	<b>(1,740)</b>	<b>(161)</b>	<b>(206)</b>	<b>14,274</b>	<b>256</b>	<b>14,530</b>
Income and expenses recognized directly in equity			0	0	(533)	400	86	0	(47)	27	(20)
Net income for the year					202				202	39	241
<b>Total recognized income and expense for the year</b>			<b>0</b>	<b>0</b>	<b>(331)</b>	<b>400</b>	<b>86</b>	<b>0</b>	<b>155</b>	<b>66</b>	<b>221</b>
Issues of capital stock											
- March 23, 2009 rights issue	108,017,212	108,017,212	432	1,042					1,474		1,474
- Group Savings Plan	8,498,377	8,498,377	34	100					134		134
- Stock dividends	13,805,920	13,805,920	56	258					314		314
- Stock option plans	37,522	37,522		1					1		1
- Other		0							0	6	6
Dividends paid (EUR 1.00 per share)					(486)				(486)	(26)	(512)
Treasury stock purchased		(2,238,941)						(72)	(72)		(72)
Treasury stock cancelled									0		0
Treasury stock sold		2,326,591			3			75	78		78
Share-based payments					40				40		40
<b>At December 31, 2009</b>	<b>512,931,016</b>	<b>508,473,517</b>	<b>2,052</b>	<b>5,341</b>	<b>10,137</b>	<b>(1,340)</b>	<b>(75)</b>	<b>(203)</b>	<b>15,912</b>	<b>302</b>	<b>16,214</b>

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, 2009. They have also been prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB).

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 year ended December 31, 2008. 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 2009 (see the table below) do not have a material impact on the Group's consolidated financial statements. In particular, IFRS 8 – (*Operating Segments*) does not have any impact on the presentation of information by sector and division in Note 32.

Following adoption of IAS 23 – (*Borrowing Costs*), the Group elected to capitalize interest expense on qualifying assets as from January 1, 2009.

IFRIC 14 – (*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*) does not have any impact on the 2009 accounts, as the Group has pension plan surpluses in the majority of cases.

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, 2010 (see table below).

These consolidated financial statements were adopted by the Board of Directors on February 25, 2010 and will be submitted to the Shareholders' Meeting for approval. They are presented 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, including 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 (Note 14), provisions for other liabilities and charges (Note 16), asset impairment tests (Note 1), deferred taxes (Note 15), share-based payments (Notes 11, 12 and 13) and financial instruments (Note 20). 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**

<b>Standards, interpretations and amendments to existing standards applicable in 2009</b>	
IAS 1R	Presentation of Financial Statements
Amendments to IAS 23	Borrowing Costs
Amendments to IAS 32 and IAS 1	Puttable Instruments and Instruments with Obligations Arising on Liquidation
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 IFRS 2	Vesting Conditions and Cancellations
Amendments to IFRS 7 and IAS 39	Enhanced Disclosures about Financial Instruments and Reclassifications of Financial Assets
IFRS 8	Operating Segments
IFRIC 11	Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
<b>Standards, interpretations and amendments to existing standards early adopted in 2009</b>	
IAS 27R	Consolidated and Separate Financial Statements
Amendments to IFRS 2	Group Cash-Settled Share-Based Payment Transactions
IFRS 3R	Business Combinations (Phase 2)
Amendments to IAS 32	Classification of Rights Issues
Amendments to IAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRIC 17	Distributions of Non-Cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers

Standards adopted by the European Union may be consulted on the European Commission website, at [http://ec.europa.eu/internal\\_market/accounting/ias/index\\_en.htm](http://ec.europa.eu/internal_market/accounting/ias/index_en.htm)



## **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 2009 are presented in Note 2 and a list of the principal consolidated companies at December 31, 2009 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, and has continued to apply the proportionate consolidation 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 and liabilities that are immediately available for sale and for which a sale is highly probable are classified as non-current assets and liabilities 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 provision adjustments should be recorded 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**

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 in the case of significant exchange rate volatility.

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 retroactively 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.

Material borrowing costs incurred for the construction and acquisition of property, plant and equipment are 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 or material decline in value, in which case an impairment loss is recorded in the income statement.

## Impairment of property, plant and equipment, intangible assets and goodwill

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. Exceptionally, in 2009 impairment tests were performed twice, at the end of June and again at the end of December, with the December test based on the 2010 budget instead of the first year of the 2010-2014 business plan. The Group's reporting segments are its 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. A total of 38 main CGUs have been identified and are monitored each year.

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 average cost of capital (7.25% in 2009 and 7.5% in 2008) plus a country risk premium where appropriate depending on the geographic area concerned. The discount rates applied in 2009 for the main operating regions were 7.25% for the euro zone and North America, 8.25% for Eastern Europe and China and 8.75% for South America.

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:

- 0.5-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 recoverable amount of an asset is less than its carrying amount, an impairment loss is recorded.

Tests performed in 2009 led to the recognition of a €15 million impairment loss on Gypsum Division assets in North America, due to worsening market conditions in the region.

Based on the latest projections, a 0.5-point reduction in projected average annual growth in cash flows to perpetuity for all the CGUs except for the Gypsum Division in North America would not result in the recognition of any impairment loss on intangible assets, while a 0.5-point increase in the discount rate applied to all the CGUs except for the Gypsum Division in North America would lead to the recognition of an impairment loss of less than €30 million on consolidated intangible assets.

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. No account is taken in the inventory valuation process of the impact of below-normal capacity utilization rates.

### **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 on 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 19.

**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 a designated fair value hedging relationship 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, classified as Level 1 in the fair value hierarchy defined in IFRS 7. 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 fair value of another recent and similar transaction, or discounted cash flow analysis based on observable market data, classified as Level 2 in the IFRS 7 fair value hierarchy.

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**

#### Stock options

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”.

### Group Savings Plan

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.

### Performance share grants

In 2009, the Group set up a worldwide performance share plan whereby each Group employee was awarded seven shares, and a performance share plan for certain categories of employees. Both plans are subject to eligibility criteria based on the grantee’s period of service with the Group. The plan costs calculated under IFRS 2 take into account the eligibility criteria, the performance criteria – which are described in Note 13 – and the lock-up feature. They are determined after deducting the present value of forfeited dividends on the performance shares and are recognized over the vesting period, which ranges from two to four years depending on the country.

## **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 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 such as exchange gains and losses and bank charges.

### **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 deferred tax liability is recognized in respect of 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 when 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 25) 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 24.

### **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 the period-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.

### **EBITDA**

EBITDA corresponds to operating income before depreciation and amortization.

The method used for calculating EBITDA is explained in Note 24.

### **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 24.

### **Cash flow from operations before tax on capital gains and losses and non-recurring provisions**

This item corresponds to cash flow from operations less the tax effect of asset disposals and of non-recurring provision charges and reversals.

The method used for calculating cash flow from operations before tax on capital gains or losses is explained in Note 24.

### **SEGMENT INFORMATION**

In compliance with IFRS 8, segment information reflects the Group's internal presentation of operating results to senior management.

**NOTE 2 - CHANGES IN GROUP STRUCTURE****Changes in the number of consolidated companies**

2009	France	Outside France	Total
<b><u>Fully consolidated companies</u></b>			
At January 1	208	1,127	1,335
Newly consolidated companies	7	38	45
Merged companies	(25)	(176)	(201)
Deconsolidated companies		(4)	(4)
Change in consolidation method		2	2
At December 31	<b>190</b>	<b>987</b>	<b>1,177</b>
<b><u>Proportionately consolidated companies</u></b>			
At January 1	2	20	22
Newly consolidated companies		2	2
Merged companies			0
Deconsolidated companies		(1)	(1)
Change in consolidation method			
At December 31	<b>2</b>	<b>21</b>	<b>23</b>
<b><u>Companies accounted for by the equity method</u></b>			
At January 1	7	63	70
Newly consolidated companies		1	1
Merged companies		(2)	(2)
Deconsolidated companies		(4)	(4)
Change in consolidation method		(1)	(1)
At December 31	<b>7</b>	<b>57</b>	<b>64</b>
<b>TOTAL at December 31</b>	<b>199</b>	<b>1,065</b>	<b>1,264</b>

## **Significant changes in Group structure**

### **2009**

No material acquisitions were made in 2009. Allocation of the Maxit acquisition price was completed during the first half, within the 12 months following the March 2008 acquisition of this business, leading to the recognition of brands in the consolidated balance sheet for an amount of €84 million or €62 million after deferred taxes.

### **2008**

On March 13, 2008, Saint-Gobain completed the acquisition of the Maxit group from HeidelbergCement for €2,087 million including €59 million in assumed net debt.

Maxit was consolidated from March 1, 2008 within the Industrial Mortars Division, contributing €1,019 million to consolidated net sales for that 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 €1 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 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.

**Impact on the consolidated balance sheet**

The impact on the balance sheet at December 31, 2009 of changes in Group structure and in consolidation methods was as follows:

<i>(in EUR millions)</i>	Companies consolidated for the first time	Companies removed from the scope of consolidation	Total
<b>Impact on assets</b>			
Non-current assets	262	(6)	256
Inventories	20		20
Trade accounts receivable	37		37
Other current assets excluding cash and cash equivalents	12		12
	<u>331</u>	<u>(6)</u>	<u>325</u>
<b>Impact on equity and liabilities</b>			
Shareholders' equity and minority interests			0
Provisions for pensions and other employee benefits	4		4
Non-current liabilities	63		63
Trade accounts payable	30		30
Other payables and accrued expenses	53		53
	<u>150</u>	<u>0</u>	<u>150</u>
<b>Enterprise value of consolidated companies acquired/divested (a)</b>	<b>181</b>	<b>(6)</b>	<b>175</b>
<b>Impact on consolidated net debt*</b>			
Impact on cash and cash equivalents	20		20
Impact on net debt excluding cash and cash equivalents (b)	1		1
	<u>(19)</u>	<u>0</u>	<u>(19)</u>
<b>Acquisitions/disposals of shares in consolidated companies net of cash acquired/divested (a) - (b)</b>	<b>180</b>	<b>(6)</b>	<b>174</b>
	=====	=====	=====

\* Corresponding to the debt, short-term credit facilities and cash and cash equivalents of acquired/divested companies.



**NOTE 3 – GOODWILL**

<i>(in EUR millions)</i>	<b>2009</b>	<b>2008</b>
<b>At January 1</b>		
Gross value	10,924	9,440
Accumulated impairment	(253)	(200)
<b>Net</b>	<b>10,671</b>	<b>9,240</b>
<b>Movements during the year</b>		
Changes in Group structure	113	2,076
Impairment	(210)	(68)
Translation adjustments	166	(577)
Reclassification to assets held for sale	0	0
<b>Total</b>	<b>69</b>	<b>1,431</b>
<b>At December 31</b>		
Gross value	11,178	10,924
Accumulated impairment	(438)	(253)
<b>Net</b>	<b>10,740</b>	<b>10,671</b>

Movements in goodwill during 2009 included €10 million in write-downs, related mainly to Gypsum Division goodwill in North America.

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).

**NOTE 4 – OTHER INTANGIBLE ASSETS**

<i>(in EUR millions)</i>	Patents	Non-amortizable brands	Software	Development costs	Other	Total
<b>At December 31, 2007</b>						
Gross value	106	2,763	631	47	279	3,826
Accumulated amortization and impairment	(90)		(441)	(22)	(148)	(701)
<b>Net</b>	<b>16</b>	<b>2,763</b>	<b>190</b>	<b>25</b>	<b>131</b>	<b>3,125</b>
<b>Movements during the year</b>						
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)
<b>Total movements</b>	<b>(1)</b>	<b>(250)</b>	<b>2</b>	<b>2</b>	<b>(10)</b>	<b>(257)</b>
<b>At December 31, 2008</b>						
Gross value	113	2,513	684	54	276	3,640
Accumulated amortization and impairment	(98)		(492)	(27)	(155)	(772)
<b>Net</b>	<b>15</b>	<b>2,513</b>	<b>192</b>	<b>27</b>	<b>121</b>	<b>2,868</b>
<b>Movements during the year</b>						
Changes in group structure	1	84	9		(9)	85
Acquisitions	2		50	8	10	70
Disposals			(3)		(2)	(5)
Translation adjustments		77	6		1	84
Amortization and impairment	(2)		(78)	(8)	(16)	(104)
<b>Total movements</b>	<b>1</b>	<b>161</b>	<b>(16)</b>	<b>0</b>	<b>(16)</b>	<b>130</b>
<b>At December 31, 2009</b>						
Gross value	114	2,674	737	62	273	3,860
Accumulated amortization and impairment	(98)		(561)	(35)	(168)	(862)
<b>Net</b>	<b>16</b>	<b>2,674</b>	<b>176</b>	<b>27</b>	<b>105</b>	<b>2,998</b>

The increase in “Non-amortizable brands” includes €84 million attributable to completion of the Maxit purchase price allocation. The “Other” column includes amortizable manufacturing brands totaling €43 million at December 31, 2009 (December 31, 2008: €47 million).

In April 2008, European companies in the Group returned the final greenhouse gas emissions allowances allocated for the period 2005-2007. Allowances issued to the Group under the 2008-2012 program represent some 6.9 million metric tons of CO<sub>2</sub> emissions per year. The 2009 allowances cover the greenhouse gas emissions for the year; consequently, no provision has been recorded in the accounts in this respect.

**NOTE 5 – PROPERTY, PLANT AND EQUIPMENT**

	Land and quarries	Buildings	Machinery and equipment	Assets under construct- tion	Total
<i>(in EUR millions)</i>					
<b>At December 31, 2007</b>					
Gross value	1,971	6,944	17,643	1,704	28,262
Accumulated depreciation and impairment	(278)	(3,434)	(11,779)	(18)	(15,509)
<b>Net</b>	<b>1,693</b>	<b>3,510</b>	<b>5,864</b>	<b>1,686</b>	<b>12,753</b>
<b>Movements during the year</b>					
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	0	417	1,135	(1,552)	0
<b>Total movements</b>	<b>101</b>	<b>278</b>	<b>532</b>	<b>(290)</b>	<b>621</b>
<b>At December 31, 2008</b>					
Gross value	2,116	7,554	19,078	1,415	30,163
Accumulated depreciation and impairment	(322)	(3,766)	(12,682)	(19)	(16,789)
<b>Net</b>	<b>1,794</b>	<b>3,788</b>	<b>6,396</b>	<b>1,396</b>	<b>13,374</b>
<b>Movements during the year</b>					
Changes in group structure and reclassifications	27	16	30	6	79
Acquisitions	41	66	283	875	1,265
Disposals	(15)	(19)	(47)	(11)	(92)
Translation adjustments	24	52	88	11	175
Depreciation and impairment	(33)	(291)	(1,171)	(6)	(1,501)
Transfers	0	288	959	(1,247)	0
<b>Total movements</b>	<b>44</b>	<b>112</b>	<b>142</b>	<b>(372)</b>	<b>(74)</b>
<b>At December 31, 2009</b>					
Gross value	2,188	7,921	19,842	1,034	30,985
Accumulated depreciation and impairment	(350)	(4,021)	(13,304)	(10)	(17,685)
<b>Net</b>	<b>1,838</b>	<b>3,900</b>	<b>6,538</b>	<b>1,024</b>	<b>13,300</b>

Acquisitions of property, plant and equipment during 2009 included assets acquired under finance leases for an amount of €16 million (2008: €14 million). These new finance leases are not included in the cash flow statement in accordance with IAS 7. At December 31, 2009, total property, plant and equipment acquired under finance leases amounted to €168 million (December 31, 2008: €201 million) (see Note 26).

In 2008, “Changes in Group structure and reclassifications” primarily corresponded to the €438 million impact of the Maxit acquisition.

**NOTE 6 – INVESTMENTS IN ASSOCIATES**

<i>(in EUR millions)</i>	<b>2009</b>	<b>2008</b>
<b>At January 1</b>		
Equity in associates	98	106
Goodwill	18	17
<b>Investments in associates</b>	<b>116</b>	<b>123</b>
<b>Movements during the year</b>		
Changes in group structure	(4)	(9)
Translation adjustments	8	(6)
Transfers, share issues and other movements	5	1
Dividends paid	(4)	(4)
Share in net income of associates	2	11
<b>Total movements</b>	<b>7</b>	<b>(7)</b>
<b>At December 31</b>		
Equity in associates	105	98
Goodwill	18	18
<b>Investments in associates</b>	<b>123</b>	<b>116</b>

Investments in associates include shares in Compania Industrial El Volcan, which is listed on the Santiago de Chile stock exchange. At December 31, 2009, the market value of the shares was higher than the carrying amount of the Group's equity in the company's net assets.

Net sales recorded in the individual financial statements of associates totaled €689 million in 2009 (2008: €798 million) and aggregate net income totaled €1 million (2008: €34 million). At December 31, 2009, total assets and liabilities of these companies amounted to €788 million and €450 million, respectively (December 31, 2008: €766 million and €448 million).

**NOTE 7 – OTHER NON-CURRENT ASSETS**

<i>(in EUR millions)</i>	Available-for-sale and other securities	Capitalized loans and deposits	Plan surpluses	Total
<b>At December 31, 2007</b>				
Gross value	145	205	147	497
Provisions for impairment in value	(19)	(6)		(25)
<b>Net</b>	<b>126</b>	<b>199</b>	<b>147</b>	<b>472</b>
<b>Movements during the year</b>				
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
<b>Total movements</b>	<b>(56)</b>	<b>15</b>	<b>59</b>	<b>18</b>
<b>At December 31, 2008</b>				
Gross value	86	227	206	519
Provisions for impairment in value	(16)	(13)		(29)
<b>Net</b>	<b>70</b>	<b>214</b>	<b>206</b>	<b>490</b>
<b>Movements during the year</b>				
Changes in group structure	(27)	1		(26)
Increases/(decreases)	3	(8)	(108)	(113)
Movements in provisions for impairment in value	(14)	(30)		(44)
Translation adjustments	1	5	(2)	4
Transfers and other movements	(5)	6		1
<b>Total movements</b>	<b>(42)</b>	<b>(26)</b>	<b>(110)</b>	<b>(178)</b>
<b>At December 31, 2009</b>				
Gross value	59	231	96	386
Provisions for impairment in value	(31)	(43)		(74)
<b>Net</b>	<b>28</b>	<b>188</b>	<b>96</b>	<b>312</b>

The increase in impairment provisions on other non-current assets in 2009 reflects €48 million in additions (2008: €5 million) and €4 million in reversals (2008: €3 million). Additions to provisions concerned stocks and bonds held by the Group.

The decrease in "Available-for-sale and other securities" in 2008 was mainly due to the consolidation of companies acquired at the end of 2007.

As discussed in Note 1, available-for-sale and other securities are measured at fair value.

**NOTE 8 – INVENTORIES**

	<b>December 31, 2009</b>	<b>December 31, 2008</b>
<i>(in EUR millions)</i>		
<b>Gross value</b>		
Raw materials	1,299	1,491
Work in progress	219	274
Finished goods	4,194	4,754
<b>Gross inventories</b>	<b>5,712</b>	<b>6,519</b>
<b>Provisions for impairment in value</b>		
Raw materials	(120)	(97)
Work in progress	(8)	(7)
Finished goods	(328)	(302)
<b>Provisions for impairment in value</b>	<b>(456)</b>	<b>(406)</b>
<b>Net</b>	<b>5,256</b>	<b>6,113</b>

In 2009, cost of sales came to €28,804 million (2008: 32,923 million).

Impairment losses on inventories recorded in the 2009 income statement totaled €78 million (2008: €128 million). Impairment reversals, due to increases in the net realizable value of inventories, amounted to €2 million in 2009 (2008: €2 million) and were recorded as a deduction from impairment losses for the year.

**NOTE 9 – TRADE AND OTHER ACCOUNTS RECEIVABLE**

<i>(in EUR millions)</i>	<b>December 31, 2009</b>	<b>December 31, 2008</b>
Gross value	5,430	6,084
Provisions for impairment in value	(504)	(437)
<b>Trade accounts receivable</b>	<b>4,926</b>	<b>5,647</b>
Advances to suppliers	410	561
Prepaid payroll taxes	28	26
Other prepaid and recoverable taxes (other than income tax)	357	356
Other	418	489
- <i>France</i>	89	180
- <i>Other Western European countries</i>	135	146
- <i>North America</i>	15	(11)
- <i>Emerging countries and Asia</i>	179	174
Provisions for impairment in value	(11)	(8)
<b>Other receivables</b>	<b>1,202</b>	<b>1,424</b>

The increase in impairment provisions for trade accounts receivable in 2009 reflects €10 million in additions (2008: €101 million) and €50 million in reversals (2008: €57 million) - resulting from recoveries as well as write-offs. Bad debt write-offs are also reported under this caption, for €74 million (2008: €58 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 €756 million at December 31, 2009 (December 31, 2008: €845 million), including €149 million over three months past-due.

## NOTE 10 – EQUITY

### Number of shares outstanding

At December 31, 2009, Compagnie de Saint-Gobain's capital stock comprised 512,931,016 shares of common stock with a par value of €1 each, all in the same class (December 31, 2008: 382,571,985 shares).

On March 23, 2009, the Group issued 108,017,212 shares. The issue proceeds, net of issuance costs, amounted to €1,474 million.

Stock dividends paid in 2009 totaled €14 million, net of issuance costs, corresponding to 13,805,920 new shares.

During 2009, 8,498,377 new shares were issued to members of the 2009 Group Savings Plan at a price of €5.80, representing total proceeds of €34 million, and 37,522 shares were issued on exercise of November 20, 2003 stock options for a total of €1 million.

At the Annual General Meeting of June 4, 2009, shareholders authorized the Board of Directors of Compagnie de Saint-Gobain to:

- Issue, on one or several occasions, up to 195 million new shares with or without pre-emptive or priority subscription rights for existing shareholders (thirteenth to seventeenth resolutions/26-month authorization commencing June 4, 2009).
- Issue, on one or several occasions, up to 23.75 million new shares to members of the Group Savings Plan (eighteenth resolution/26-month authorization commencing June 4, 2009).
- Grant stock options exercisable for shares representing up to 3% of capital stock on the Meeting date, i.e. 14,972,627 options exercisable for the same number of shares (nineteenth resolution/38-month authorization commencing June 4, 2009). In the twentieth resolution, the Board was authorized to make performance share grants representing up to 1% of the capital stock on the Meeting date, i.e. grants of 4,990,875 shares. If this authorization were to be used, the performance shares would be deducted from the shares available for the stock option plan.

The Board of Directors used these authorizations on November 19, 2009 to grant 1,479,460 stock options and an estimated 1,675,506 performance shares. Consequently, the Board is currently authorized to issue 11,817,661 shares under stock option and performance share plans (of which 3,315,369 under performance share plans).

If all outstanding stock options were to be exercised and all outstanding performance shares were to vest, this would potentially have the effect of increasing the number of shares outstanding to 539,184,174. In addition, if the authorizations described above were to be used in full, this would potentially have the effect of increasing the number of shares outstanding to 769,751,835.

At the Annual General Meeting of June 4, 2009, 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 (twenty-second resolution). Under this authorization, the Group may issue up to €490 million worth of stock (excluding premiums), representing 122,500,000 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, 2009, 4,457,499 shares were held in treasury (December 31, 2008: 4,545,149).



In 2009, 183,577 shares were bought back on the market (2008: 0) and 215,304 shares were sold upon exercise of stock options (2008: 115,490). No shares were cancelled in either 2009 or 2008.

The liquidity contract set up with Exane BNP Paribas on November 16, 2007 was rolled over in 2008 and 2009. 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 2009, 2,055,364 shares were purchased under the contract (2008: 2,829,382 shares) and 2,111,287 shares were sold (2008: 2,614,235 shares).

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 Chief Executive Officer 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 and November 19, 2009 plans, 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 2008 and 2009 are summarized below:

	EUR 4 par value shares	Average exercise price (in EUR )
<b>Options outstanding at December 31, 2007</b>	<b>21,992,083</b>	<b>48.56</b>
Options granted	3,551,900	28.62
Options exercised	(198,376)	33.33
Options forfeited	(50,000)	71.56
<b>Options outstanding at December 31, 2008</b>	<b>25,295,607</b>	<b>45.84</b>
Adjustment for effects of March 23 rights issue (1)	2,674,999	
Options granted	1,479,460	36.34
Options exercised	(252,826)	32.50
Options forfeited	(533,898)	43.63
<b>Options outstanding at December 31, 2009</b>	<b>28,663,342</b>	<b>41.23</b>

(1) Following the March 23, 2009 capital increase for cash carried out by issuing and allocating stock warrants, the number of options per grantee was adjusted in accordance with the applicable regulations in order to preserve the grantees' rights.

At December 31, 2009, 28,663,342 options were issued at an average exercise price of €41.23. At that date, 11,817,661 options were available for grant under the authorization given by the Shareholders' Meeting of June 4, 2009. This figure represents an overall ceiling for stock options and performance share grants.

Stock option expense recorded in the income statement amounted to €31.8 million in 2009 (2008: €41 million). The fair value of options granted in 2009 amounted to €15.4 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, 2009, after taking into account the adjustments made to the exercise price and the number of options following the March 23, 2009 rights issue.

Grant date	Options exercisable			Options not exercisable		Total options outstanding	Type of options
	Exercise price (in EUR)	Number of options	Weighted average contractual life (in months)	Exercise price (in EUR)	Number of options	Number of options	
2000	34.11	944,230	11			944,230	Purchase
2001	36.37	1,888,626	23			1,888,626	Purchase
2002	21.28	1,252,834	35			1,252,834	Purchase
2003	32.26	2,920,903	47			2,920,903	Subscription
2004	39.39	4,014,816	59			4,014,816	Subscription
2005	41.34	4,066,120	71			4,066,120	Subscription
2006	52.52	1,866,395	83	52.52	2,440,059	4,306,454	Subscription
2007	64.72		95	64.72	3,917,673	3,917,673	Souscription
2008	25.88		107	25.88	3,872,226	3,872,226	Subscription or Purchase
2009	36.34		119	36.34	1,479,460	1,479,460	Subscription or Purchase
<b>Total</b>		<b>16,953,924</b>			<b>11,709,418</b>	<b>28,663,342</b>	

At December 31, 2009, 16,953,924 stock options were exercisable (at an average price of €38.11) and 11,709,418 options (average exercise price €45.75) had not yet vested.

**NOTE 12 – 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 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 2009, the Group issued 8,498,377 shares with a par value of €1 (2008: 8,272,947 shares) to members of the PEG, for a total of €134 million (2008: €353 million).

In some years, as well as 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 €7.0 million in 2009 (2008: €8.4 million), net of the lock-up cost for employees of €1.2 million (2008: €29.8 million).

The following table shows the main features of the standard plans, the amounts invested in the plans and the valuation assumptions applied in 2009 and 2008.

	<b>2009</b>	<b>2008</b>
<b>Plan characteristics</b>		
Grant date	March 23	February 22
Plan duration (in years)	5 or 10	5 or 10
Benchmark price (in EUR )	19.74	51.75
Purchase price (in EUR )	15.80	41.41
Discount (in %)	20.00%	20.00%
<b>(a)</b> Total discount on the grant date (in %)	28.11%	22.05%
Employee investments (EUR millions)	134.3	168.7
Total number of shares purchased	8,498,377	4,073,045
<b>Valuation assumptions</b>		
Interest rate paid by employees (1)	7.09%	7.57%
5-year risk-free interest rate	2.73%	3.61%
Repo rate	1.35%	0.25%
<b>(b)</b> Lock-up discount (in %)	22.92%	17.17%
<b>(c)</b> Total cost to the Group (in %) (a-b)	5.19%	4.88%

(1) A 0.5-point decline in borrowing costs for the employee would have an impact of €2.2 million on 2009 cost as calculated in accordance with IFRS 2.

## Leveraged plan

Under the 2008 leveraged plan, eligible employees were offered the opportunity to invest in Saint-Gobain stock at a 15% discount. The yield profile of the leveraged plan 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's intervention secures the initial funding, secures the yield for the employee and increases 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, net of the lock-up cost for employees and the opportunity gain of €29.9 million. No leveraged plan was set up in 2009.

The following table shows the main features of the leveraged plan, the amounts invested in the plan and the valuation assumptions applied in 2008.

	<b>2008</b>
<b>Plan characteristics</b>	
Grant date	February 22
Plan duration (in years)	5
Benchmark price (in EUR)	51.75
Purchase price (in EUR)	43.99
Discount (in %)	15.00%
<b>(a)</b> Total discount on the grant date (in %)	17.18%
Employee investments (EUR millions)	18.5
Total investment in the plan (EUR millions)	184.8
Total number of shares purchased	4,199,902
<b>Valuation assumptions</b>	
Interest rate paid by employees (1)	7.57%
5-year risk-free interest rate	3.61%
Repo rate	0.25%
Retail/institutional volatility spread (2)	5.50%
<b>(b)</b> Lock-up discount (in %) (3)	15.00%
<b>(c)</b> Opportunity gain (in %)	1.62%
<b>(d)</b> Total cost to the Group (in %) (a-b+c)	3.80%

- (1) A 0.5-point decline in borrowing costs for the employee would have had no impact on the 2008 cost as calculated in accordance with IFRS 2 because the lock-up cost would still exceed the discount.
- (2) A 0.5-point increase in the retail/institutional rate spread would have had 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 – PERFORMANCE SHARE PLAN**

At its meeting on November 19, 2009, the Board of Directors decided to set up the Company's first performance share plan. Under the plan terms, eligible employees and officers of the Saint-Gobain Group in France and abroad were each awarded seven performance shares. The eligibility criterion was based on the grantee's period of service with the Group. The performance shares will vest if the average of the rates of growth in the Group's consolidated operating income (excluding the Packaging Sector) for the years 2010 and 2011 exceeds a certain level. If this performance criterion is not met, no performance shares will be delivered at the end of the vesting period. In all, an estimated 1,052,716 performance shares may vest, as follows:

- For eligible Group employees in France, Spain and Italy, the vesting period will end on March 29, 2012 and the shares will be delivered on March 30, 2012. The vesting period will be followed by a two-year lock-up, such that the shares may not be sold until March 31, 2014 except in the case of the grantee's death or disability.
- For eligible Group employees in all other countries, the vesting period will end on March 30, 2014 and the shares will be delivered on March 31, 2014. No lock-up period will apply.

The Board also decided to set up a combined stock option/performance share plan for certain eligible managers and senior executives in France and abroad. For the performance share plan, the eligibility criterion is based on the grantee's period of service with the Group. The performance shares will vest if the Group's return on capital employed (ROCE) for 2010 and 2011 exceeds a certain level. If the ROCE target is met in only one of the two years, only half of the performance shares will vest. The total number of performance shares will vest only if the ROCE target is met in both years. In all, 622,790 performance shares have been awarded. Except for the performance targets, the plan terms and conditions are the same as for the worldwide performance share plan for all eligible employees.

For both of the plans decided on November 19, 2009, the fair value of the performance shares corresponds to the Saint-Gobain share price on the grant date less (i) the value of dividends not payable on the shares during the vesting period, and (ii) as for the PEG, less the lock-up discount on restricted stock (i.e. stock subject to a four-year lock-up), which has been estimated at around 30%. The compensation cost is recognized over the vesting period of the performance shares, ranging from two to four years.

The cost recorded in the income statement for the two plans amounted to €1.4 million in 2009.

**NOTE 14 – PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS**

	<b>December 31, 2009</b>	<b>December 31, 2008</b>
<i>(in EUR millions)</i>		
Pensions	2,190	1,681
Length-of-service awards	224	207
Post-employment healthcare benefits	369	367
<b>Total provisions for pensions and other post-employment benefit obligations</b>	<b>2,783</b>	<b>2,255</b>
Healthcare benefits	45	50
Long-term disability benefits	35	38
Other long-term benefits	95	100
<b>Provisions for pensions and other employee benefits</b>	<b>2,958</b>	<b>2,443</b>

The following table shows projected benefit obligations under pension and other post-employment benefit plans and the related plan assets:

	<b>December 31, 2009</b>	<b>December 31, 2008</b>
<i>(in EUR millions)</i>		
Projected benefit obligations	2,783	2,255
Plan assets	96	206
<b>Net projected benefit obligations</b>	<b>2,687</b>	<b>2,049</b>

Changes in pension and other post-employment benefit obligations are as follows:

	Pension obligations	Fair value of plan assets	Other	Provisions for pensions and other post-employment benefits
<i>(in EUR millions)</i>				
<b>At December 31, 2007</b>	<b>7,699</b>	<b>(6,405)</b>	<b>191</b>	<b>1,485</b>
<b>Movements during the year</b>				
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)
<b>Total movements</b>	<b>(896)</b>	<b>1,429</b>	<b>31</b>	<b>564</b>
<b>At December 31, 2008</b>	<b>6,803</b>	<b>(4,976)</b>	<b>222</b>	<b>2,049</b>
<b>Movements during the year</b>				
Service cost	148			148
Interest cost/return on plan assets	415	(323)		92
Employer contributions		(172)		(172)
Employee contributions		(20)		(20)
Actuarial gains and losses and asset ceiling	953	(98)	(131)	724
Translation adjustment	114	(146)	9	(23)
Benefit payments	(419)	340		(79)
Past service cost	2			2
Changes in group structure	4			4
Curtailments/settlements	(21)	11		(10)
Other			(28)	(28)
<b>Total movements</b>	<b>1,196</b>	<b>(408)</b>	<b>(150)</b>	<b>638</b>
<b>At December 31, 2009</b>	<b>7,999</b>	<b>(5,384)</b>	<b>72</b>	<b>2,687</b>

The following tables show the funded status of pension and other post-employment benefit obligations by geographic area:

<b>December 31, 2009</b> <i>(in EUR millions)</i>	France	Other Western European countries	North America	Rest of the World	Net total
Projected benefit obligation - funded plans	369	4,602	2,103	90	7,164
Projected benefit obligation - unfunded plans	197	249	359	30	835
Fair value of plan assets	165	3,772	1,375	72	5,384
Deficit	401	1,079	1,087	48	2,615
Unrecognized past service cost					0
Asset ceiling					15
Insured plans					57
<b>Pension and other post-employment benefit obligations</b>					<b>2,687</b>
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
<b>Net pension and other post-employment benefit obligations</b>					<b>2,687</b>
<b>December 31, 2008</b> <i>(in EUR millions)</i>	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
<b>Pension and other post-employment benefit obligations</b>					<b>2,049</b>
Plan surpluses classified as assets held for sale					
Provisions for pensions and other post-employment benefit obligations classified as liabilities held for sale					
<b>Net pension and other post-employment benefit obligations</b>					<b>2,049</b>



## **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 €175 million at December 31, 2009 (December 31, 2008: €188 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 €7,999 million at December 31, 2009 (December 31, 2008: €6,803 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 2009 (2008: €172 million). The actual return on plan assets was a positive €421 million for the year (2008: negative return of €116 million).

The fair value of plan assets – which came to €5,384 million at December 31, 2009 (December 31, 2008: €4,976 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 (40%) and bonds (47%), with the remaining 13% 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 2009 for the main plans were as follows:

<i>(in %)</i>	France	Other European countries		United States
		Euro zone	United Kingdom	
Discount rate	5.00%	5.00%	5.75%	6.00%
Salary increases	2.40%	2.75% to 3.25%	3.85%	3.00%
Expected return on plan assets	5.00%	3.50% to 5.25%	6.00%	8.75%
Inflation rate	1.90%	1.90% to 2.75%	3.35%	2.20%

The assumptions used in 2008 for the Group's main plans were as follows:

<i>(in %)</i>	France	Other European countries		United States
		Euro zone	United Kingdom	
Discount rate	6.25%	6.25%	6.35%	6.25%
Salary increases	2.40%	2.75% to 3.25%	3.25% to 3.50%	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%

Discount rates were set by region or country based on observed bond rates at December 31, 2009.

A 0.5-point decrease in the discount rate would lead to an increase in projected benefit obligations of around €58 million for the North American plans, €137 million for the euro-zone plans and €252 million for the UK plans. A 0.5-point increase in the inflation rate would lead to an overall increase in projected benefit obligations of €386 million.

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. After an unfavorable year in 2008, when the return on plan assets was a negative €716 million, last year's recovery in the financial markets led to a €421 million increase in plan assets compared with the €323 million expected based on forecast yields. 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 to record in equity actuarial gains and losses and the change in the asset ceiling. In 2009, €724 million was recognized in equity (increase in provisions). This amount corresponds to €555 million in actuarial differences less €131 million due to a lowering of the asset ceiling. In 2008, €647 million was recognized in equity (increase in provisions). Experience adjustments (corresponding to the effects of differences between previous actuarial assumptions and what has actually occurred) led to a €37 million (0.5% of DBO) decrease in the projected benefit obligation and a €8 million increase 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. The change in the asset ceiling is recognized in equity.

### Contributions to insured plans

This item corresponds to amounts payable in the future to insurance companies under the externally funded pension plans for Group employees in Spain and totaled €7 million at December 31, 2009 (December 31, 2008: €5 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 (IFRS 5) at December 31, 2009 or 2008.

### Employee benefits expense

The cost of the Group's pension and other post-employment benefit plans (excluding other employee benefits) is as follows:

	2009	2008
<i>(in EUR millions)</i>		
Service costs	148	167
Interest cost	415	420
Return on plan assets	(323)	(431)
Curtailments and settlements	(8)	(3)
<b>Pensions, length-of-service awards and other post-employment benefits</b>	<b>232</b>	<b>153</b>
Employee contributions	(20)	(22)
<b>Total</b>	<b>212</b>	<b>131</b>

### **Additional information about pension costs**

Pension contributions for 2009 represented an estimated €799 million (2008: €874 million), including €376 million for government-sponsored basic pension schemes (2008: €419 million), €130 million for government-sponsored supplementary pension schemes, mainly in France (2008: €127 million), and €293 million for corporate-sponsored supplementary pension plans (2008: €328 million), of which €230 million for defined benefit plans (2008: €267 million) and €63 million for defined contribution plans (2008: €61 million).

**NOTE 15 – CURRENT AND DEFERRED TAXES**

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

<i>(in EUR millions)</i>	<b>2009</b>	<b>2008</b>
Net income	241	1,437
Less:		
Share in net income of associates	2	11
Income taxes	(196)	(638)
<b>Pre-tax income of consolidated companies</b>	<b>435</b>	<b>2,064</b>

Income tax expense breaks down as follows:

<i>(in EUR millions)</i>	<b>2009</b>	<b>2008</b>
<b>Current taxes</b>	<b>(438)</b>	<b>(639)</b>
France	(57)	(150)
Outside France	(381)	(489)
<b>Deferred taxes</b>	<b>242</b>	<b>1</b>
France	80	(16)
Outside France	162	17
<b>Total income tax expense</b>	<b>(196)</b>	<b>(638)</b>

The effective tax rate breaks down as follows:

<i>(in %)</i>	<b>2009</b>	<b>2008</b>
Tax rate in France	34.4	34.4
Impact of tax rates outside France	(5.2)	(4.7)
Non-deductible provision for competition litigation	0.0	4.2
Capital gains and losses and asset impairments	25.5	1.8
Provisions for deferred tax assets	0.2	(0.1)
Effect of changes in future tax rates	(0.9)	(0.1)
Research tax credit	(5.6)	(0.7)
Other deferred and miscellaneous taxes	(3.3)	(3.9)
<b>Effective tax rate</b>	<b>45.1</b>	<b>30.9</b>

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

<i>(in EUR millions)</i>	<b>Net deferred tax liabilities</b>
<b>At December 31, 2007</b>	<b>949</b>
Deferred tax expense/(benefit)	(1)
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (Note 14)	(228)
Translation adjustments	(111)
Impact of changes in group structure and other	14
<b>At December 31, 2008</b>	<b>623</b>
Deferred tax expense/(benefit)	(242)
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (Note 14)	(217)
Translation adjustments	41
Impact of changes in group structure and other	40
<b>At December 31, 2009</b>	<b>245</b>

The table below shows the principal components of deferred taxes:

<i>(in EUR millions)</i>	<b>December 31, 2009</b>	<b>December 31, 2008</b>
Deferred tax assets	676	507
Deferred tax liabilities	(921)	(1,130)
<b>Net deferred tax liability</b>	<b>(245)</b>	<b>(623)</b>
Pensions	772	561
Brands	(805)	(781)
Depreciation & amortization, accelerated capital allowances and tax-driven provisions	(1,051)	(992)
Tax loss carryforwards	360	140
Other	479	449
<b>Total</b>	<b>(245)</b>	<b>(623)</b>

Since January 1, 2007, deferred taxes are offset at the level of each tax entity, i.e., by tax group, where applicable (mainly in France, the United Kingdom, Spain, Germany and the United States).

Deferred tax assets of €676 million were recognized in 2009 (2008: €507 million), including €452 million in the United States (2008: €372 million). Deferred tax liabilities recognized in 2009 amounted to €921 million (2008: €1,130 million), including €357 million in France (2008: €457 million) and €182 million in the United Kingdom (2008: €271 million). Deferred tax liabilities recognized in other countries represented considerably smaller amounts.

Deferred tax assets whose recovery is not considered probable totaled €153 million at December 31, 2009 (December 31, 2008: €175 million).

The local business tax (*taxe professionnelle*) in France will be replaced in 2010 by a new tax (*contribution économique territoriale – CET*) that will be assessed in part on the value created by the business (*cotisation sur la valeur ajoutée des entreprises – CVAE*). The Group has not yet determined the accounting treatment of the CVAE in its 2010 accounts. If the CVAE is determined to constitute an income tax, the related tax base will give rise to a deferred tax liability currently estimated at around €20 million.

**NOTE 16 – OTHER CURRENT AND NON-CURRENT LIABILITIES AND PROVISIONS**

	Provisions for claims and litigation	Provisions for environ- mental risks	Provisions for restructuring costs	Provisions for personnel costs	Provisions for customer warranties	Provisions for other contin- gencies	Investment- related liabilities	<b>Total</b>
<i>(in EUR millions)</i>								
<b>At December 31, 2007</b>								
Current portion	224	31	84	31	80	78	19	547
Non-current portion	804	115	76	41	92	284	71	1,483
<b>Total</b>	<b>1,028</b>	<b>146</b>	<b>160</b>	<b>72</b>	<b>172</b>	<b>362</b>	<b>90</b>	<b>2,030</b>
<b>Movements during the year</b>								
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
<b>Total movements</b>	<b>308</b>	<b>12</b>	<b>(19)</b>	<b>4</b>	<b>56</b>	<b>(10)</b>	<b>29</b>	<b>380</b>
<b>At December 31, 2008</b>								
Current portion	95	24	80	32	81	120	28	460
Non-current portion	1,241	134	61	44	147	232	91	1,950
<b>Total</b>	<b>1,336</b>	<b>158</b>	<b>141</b>	<b>76</b>	<b>228</b>	<b>352</b>	<b>119</b>	<b>2,410</b>
<b>Movements during the year</b>								
Additions	125	14	215	33	64	118		569
Reversals	(1)	(7)	(9)	(15)	(15)	(57)		(104)
Utilizations	(88)	(10)	(102)	(18)	(33)	(25)		(276)
Changes in group structure	1	8	1	1		7	42	60
Other (reclassifications and translation adjustments)	(8)	4	(6)	5	(3)	61	(25)	28
<b>Total movements</b>	<b>29</b>	<b>9</b>	<b>99</b>	<b>6</b>	<b>13</b>	<b>104</b>	<b>17</b>	<b>277</b>
<b>At December 31, 2009</b>								
Current portion	92	34	133	38	88	128	5	518
Non-current portion	1,273	133	107	44	153	328	131	2,169
<b>Total</b>	<b>1,365</b>	<b>167</b>	<b>240</b>	<b>82</b>	<b>241</b>	<b>456</b>	<b>136</b>	<b>2,687</b>

### **Provisions for claims and litigation**

In 2009, provisions for claims and litigation covered potential costs arising from investigations by the competition authorities involving the Flat Glass business and from asbestos-related litigation. These provisions are described in further detail in Note 27.

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, 2009 is classified in "Other non-current liabilities".

### **Provisions for environmental risks**

Provisions for environmental risks cover costs relating to environmental protection measures, as well as site rehabilitation and clean-up costs.

### **Provisions for restructuring costs**

Provisions for restructuring costs came to €240 million at December 31, 2009 (December 31, 2008: €141 million), including net additions of €206 million during the year. The provisions primarily concern Germany (€11 million), France (€39 million), the United Kingdom (€30 million), Benelux (€48 million), Italy (€23 million), Spain (€14 million) and the United States (€12 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 in the United States and other markets.

### **Provisions for other contingencies**

At December 31, 2009, provisions for other contingencies amounted to €456 million and mainly concerned France (€115 million), the United States (€84 million), Germany (€80 million), the United Kingdom (€46 million), Latin America (€38 million), Italy (€23 million) and Spain (€11 million).

### **Investment-related liabilities**

In 2009 and 2008, changes in investment-related liabilities primarily concerned put options granted to minority shareholders, additional purchase consideration and deferred payments on acquisitions.



**NOTE 17 – TRADE AND OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

	December 31, 2009	December 31, 2008
<i>(in EUR millions)</i>		
<b>Trade accounts payable</b>	<b>5,338</b>	<b>5,613</b>
Customer deposits	641	641
Payable to suppliers of non-current assets	293	400
Grants received	69	63
Accrued personnel expenses	1,065	1,022
Accrued taxes other than on income	416	421
Other	602	843
- <i>France</i>	<i>102</i>	<i>221</i>
- <i>Germany</i>	<i>49</i>	<i>65</i>
- <i>United Kingdom</i>	<i>91</i>	<i>90</i>
- <i>Other Western European countries</i>	<i>145</i>	<i>193</i>
- <i>North America</i>	<i>42</i>	<i>76</i>
- <i>Emerging countries and Asia</i>	<i>173</i>	<i>198</i>
<b>Total other payables and accrued expenses</b>	<b>3,086</b>	<b>3,390</b>

Trade and other accounts payable are due mainly within one year, with the result that their carrying amount approximates fair value.

## NOTE 18 – RISK FACTORS

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

#### **Liquidity risk on financing**

Although funds were successfully raised on the European bond market in 2009, in a crisis environment the Group could 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 also no guarantee that the Company's credit rating will remain at the current level.

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.

Medium-term notes are the main source of long-term financing used by the Group, along with bonds. However it also uses perpetual bonds, participating securities, bank borrowings and lease financing.

Short-term debt is composed mainly of borrowings under French Commercial Paper ("*Billets de Trésorerie*") programs and, from time-to-time, Euro Commercial Paper and US Commercial Paper programs, but also includes 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 lines of credit.

A breakdown of long- and short-term debt is provided by type and maturity in Note 19. Details of amounts, currencies, and acceleration clauses of the Group's financing programs and confirmed credit lines are also discussed in Note 19.

Saint-Gobain's long-term debt issues have been rated BBB with a stable outlook by Standard & Poor's since July 24, 2009 and Baa2 with a stable outlook by Moody's since July 31, 2009.

#### Liquidity risk on 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 risks

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's parent company.

The Group's overall exposure to interest rate risk on consolidated debt is managed primarily with the objective of fixing the cost of medium-term debt and optimize annual borrowing costs. According to Group policy, 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 €13 million increase in equity and a €6 million increase in income.

#### Foreign exchange 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.

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 exposures arising from current and future commercial transactions. The subsidiaries set up options exclusively through the Group's 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.

Wherever possible, foreign exchange risks are hedged with Compagnie de Saint-Gobain upon receipt of the orders sent by the subsidiaries, or with the local 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 subsidiaries. At December 31, 2009, 97% of the Group's foreign exchange position was hedged.

The net foreign exchange exposure of subsidiaries whose functional currency is not one of those presented below was as follows at December 31, 2009:

<i>(in millions of euro equivalents)</i>	<b>Long</b>	<b>Short</b>
EUR	2	6
USD	10	10
Other currencies	1	2
<b>Total</b>	<b>13</b>	<b>18</b>

Based on a sensitivity analysis at December 31, 2009, a 10% increase in the exchange rates of the main currencies used by subsidiaries would have the following negative impact on net income:

<i>(in EUR millions)</i>	<b>Net gain or loss</b>
EUR	(0.4)
USD	0.0

A 10% fall in exchange rates would have had a positive impact in the same amounts, 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.

The Group limits its exposure to energy price fluctuations by using swaps and options to hedge part of its natural gas purchase in the United States, Mexico and certain European countries, its fuel oil purchases in Europe and its electricity purchases in the United Kingdom. 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.

Hedges of gas, fuel oil and electricity purchases (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 energy purchases.

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.

### Credit 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. There is no guarantee that this policy will be effective in entirely eliminating counterparty risk. Any default by a counterparty could have a material adverse effect on the Group's objectives, operating income and financial position.

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 from Moody's, with a stable outlook in both cases. Concentrations of credit risks are closely monitored to ensure that they remain at reasonable levels.

However, recent events have shown that credit risks arising from transactions with financial counterparties 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.

Note 20 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 debt by currency and interest rate (fixed or variable), as well as the interest rate repricing schedule.

**NOTE 19 – NET DEBT****Long- and short-term debt**

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

<i>(in EUR millions)</i>	<b>2009</b>	<b>2008</b>
Bond issues and Medium-Term Notes	8,151	7,604
Perpetual bonds and participating securities	203	203
Acquisition-related bank borrowings	0	2,034
Other long-term debt including finance leases	270	320
Debt recognized at fair value under the fair value option	157	157
Fair value of interest rate hedges	58	47
<b>Total long-term debt (excluding current portion)</b>	<b>8,839</b>	<b>10,365</b>
<b>Current portion of long-term debt</b>	<b>1,880</b>	<b>1,364</b>
Short-term financing programs (US CP, Euro CP, <i>Billets de Tresorerie</i> )	0	690
Bank overdrafts and other short-term bank borrowings	673	798
Securitizations	321	462
Fair value of derivatives relating to borrowings not qualified as hedges	(2)	(63)
<b>Short-term debt and bank overdrafts</b>	<b>992</b>	<b>1,887</b>
<b>TOTAL GROSS DEBT</b>	<b>11,711</b>	<b>13,616</b>
Cash and cash equivalents	(3,157)	(1,937)
<b>TOTAL NET DEBT, INCLUDING ACCRUED INTEREST</b>	<b>8,554</b>	<b>11,679</b>

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounted to €10.4 billion at December 31, 2009, for a carrying amount of €10 billion. The fair value of bonds corresponds to the market price on the last day of the year. For other borrowings, fair value is considered as being equal to the amount repayable.

## Long-term debt repayment schedule

Long-term debt at December 31, 2009 can be analyzed as follows by maturity:

<i>(in EUR millions)</i>	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues and Medium-Term Notes	EUR	1,403	5,335	2,142	8,880
	GBP	0	0	674	674
	Other	38	0	0	38
Perpetual bonds and participating securities	EUR	0	0	203	203
Acquisition-related bank borrowing	EUR	0	0	0	0
Other long-term debt including finance leases	All currencies	169	204	66	439
Debt recognized at fair value under the fair value option	EUR	0	157	0	157
Fair value of interest rate hedges	EUR	0	58	0	58
<b>TOTAL, EXCLUDING ACCRUED INTEREST</b>		<b>1,610</b>	<b>5,754</b>	<b>3,085</b>	<b>10,449</b>

At December 31, 2009, future interest payments on gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain were due as follows:

<i>(in EUR millions)</i>	Within 1 year	1 to 5 years	Beyond 5 years	Total
Future interest payments on gross long-term debt	476	1,302	540	2,318
<b>TOTAL, EXCLUDING ACCRUED INTEREST</b>	<b>476</b>	<b>1,302</b>	<b>540</b>	<b>2,318</b>

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

### Bond issues

In 2009, Compagnie de Saint-Gobain carried out the following bond issues:

- On January 26: €1 billion issue due July 28, 2014,
- On May 20: €750 million issue due May 20, 2013
- On June 29: €200 million issue (private placement notes) due June 29, 2017

During 2009, Saint-Gobain Nederland redeemed a €1 billion bond issue due July 9.

### 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, 2009, 18,496 perpetual bonds had been bought back and canceled, 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 been bought back on the market. At December 31, 2009, 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, and (ii) a variable portion applicable to the remaining 40% of the security, which is linked to consolidated net income of the previous year, subject to the cap specified in the issue agreement.

### 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, 2009, issuance under these programs was as follows:

Programs (in millions of currency units)	Currency	Maturities	Authorized program At Dec. 31, 2009	Outstanding issues At Dec. 31, 2009	Outstanding issues At Dec. 31, 2008
Medium Term Notes	EUR	1 to 30 years	10,000	6,120	3,917
US commercial paper	USD	Up to 12 months	1,000 *	0	0
Euro commercial paper	USD	Up to 12 months	1,000 *	0	0
Billets de trésorerie	EUR	Up to 12 months	3,000	0	690

\* Equivalent to €694.2 million based on the exchange rate at December 31, 2009.

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 billion confirmed syndicated line of credit expiring in November 2011 that is not subject to any covenants based on financial ratios.

On June 15, 2009, Compagnie de Saint-Gobain obtained a €2.5 billion syndicated line of credit expiring in June 2012. This facility represents a secure source of financing for the Group and will also provide additional backing for its short-term financing programs.

This facility agreement includes a covenant stipulating that the Group's net debt/operating income excluding depreciation and amortization of property, plant and equipment and intangible assets ratio, as measured annually at December 31, must at all times represent less than 3.75. This ratio was complied with at December 31, 2009. Neither of these confirmed lines of credit was drawn down at December 31, 2009.

The other confirmed lines of credit held by the Group at December 31, 2008 were canceled during 2009, as follows:

- Outstanding balance on the €9 billion syndicated loan obtained in 2005 to finance the BPB acquisition.
- Outstanding balance on the €2,125 million syndicated credit facility obtained in October 2007 primarily to finance the Maxit acquisition.
- Seven bilateral lines of credit for a total of €680 million.

### **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 €156 million at December 31, 2009 (December 31, 2008: €275 million).

The difference between the face value of the sold receivables and the sale proceeds is treated as a financial expense, and amounted to €5.4 million in 2009 (2008: €13 million).

The UK program amounted to €165 million at December 31, 2009 (December 31, 2008: €187 million), and the financial expense came to €2 million (2008: €9 million).

### **Collateral**

At December 31, 2009, €36 million of Group debt was secured by various non-current assets (real estate and securities).



**NOTE 20 - FINANCIAL INSTRUMENTS****Derivatives**

(in EUR millions)	Fair value at December 31, 2009			Fair value at Dec. 31, 2008	Nominal value broken down by maturity at December 31, 2009			
	Derivatives recorded in assets	Derivatives recorded in liabilities	Total		Within 1 year	1 to 5 years	Beyond 5 years	Total
<b>Fair value hedges</b>								
Interest rate swaps	4		4			500		<b>500</b>
<b>Fair value hedges - total</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>500</b>	<b>0</b>	<b>500</b>
<b>Cash flow hedges</b>								
Forward foreign exchange contracts	1	(1)	0	(23)	79	1		<b>80</b>
Currency swaps			0	(3)				<b>0</b>
Currency options			0	1	20			<b>20</b>
Interest rate swaps		(62)	(62)	(47)		1250		<b>1,250</b>
Energy and commodity swaps	9	(17)	(8)	(84)	113	53		<b>166</b>
<b>Cash flow hedges - total</b>	<b>10</b>	<b>(80)</b>	<b>(70)</b>	<b>(156)</b>	<b>212</b>	<b>1,304</b>	<b>0</b>	<b>1,516</b>
<b>Derivatives not qualifying for hedge accounting</b>								
Interest rate swaps	2		2	2		155		<b>155</b>
Currency swaps	9	(9)	0	64	2,245	12		<b>2,257</b>
Forward foreign exchange contracts			0	2	58			<b>58</b>
<b>Derivatives not qualifying for hedge accounting - total</b>	<b>11</b>	<b>(9)</b>	<b>2</b>	<b>68</b>	<b>2,303</b>	<b>167</b>	<b>0</b>	<b>2,470</b>
<b>TOTAL</b>	<b>25</b>	<b>(89)</b>	<b>(64)</b>	<b>(88)</b>	<b>2,515</b>	<b>1,971</b>	<b>0</b>	<b>4,486</b>
o/w derivatives used to hedge net debt	15	(71)	(56)	16				

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

➤ 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.

➤ Forward foreign exchange contracts and currency options

Forward foreign exchange contracts and currency options are used to hedge foreign currency transactions, particularly commercial transactions (purchases and sales) and investments.

➤ Energy and commodity swaps

Energy and commodity 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, natural gas purchases in the United States, Mexico and certain European countries and electricity purchases in the United Kingdom.

**Impact on equity of financial instruments qualifying for hedge accounting**

At December 31, 2009, the cash flow hedging reserve carried in equity in accordance with IFRS had a debit balance of €70 million, breaking down as follows:

- €62 million unrealized gain corresponding to the remeasurement at fair value of interest rate swaps designated as cash flow hedges of the April 2007 bond issue.
- €8 million unrealized gain corresponding to the remeasurement at fair value of other cash flows hedges 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 €2 million at December 31, 2009 (December 31, 2008: €68 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, 2009, 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, 2009 and 2008.

The average internal rates of return for the main components of long-term debt before hedging were as follows in 2009 and 2008:

<b>Internal rate of return on long-term debt at December 31 (in %)</b>	<b>2009</b>	<b>2008</b>
Bonds and Medium Term Notes	5.35%	4.96%
Perpetual bonds and participating securities	4.92%	5.92%
Acquisition-related bank borrowings	-	5.47%

The table below presents the breakdown by currency and by interest rate (fixed or variable) of the Group's gross debt at December 31, 2009, after giving effect to interest rate swaps and currency swaps.

<b>Gross debt denominated in foreign currencies</b> <i>(in EUR millions)</i>	<b>After hedging</b>		<b>Total</b>
	<b>Variable rate</b>	<b>Fixed rate</b>	
EUR	1,674	8,517	10,191
GBP	(33)	673	640
USD	85	0	85
SEK and NOK	335	4	339
Other currencies	(90)	164	74
<b>TOTAL</b>	<b>1,971</b>	<b>9,358</b>	<b>11,329</b>
	17%	83%	100%
Fair value of related derivatives			56
Accrued interest			326
<b>TOTAL GROSS DEBT</b>			<b>11,711</b>

#### Interest rate repricing schedule for debt

The table below shows the interest rate repricing schedule at December 31, 2009 for gross debt after hedging:

<i>(in EUR millions)</i>	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>Beyond 5 years</b>	<b>Total</b>
Gross debt	2,872	5,754	3,085	11,711
Impact of interest rate swaps	(750)	1,250	(500)	0
<b>GROSS DEBT AFTER HEDGING</b>	<b>2,122</b>	<b>7,004</b>	<b>2,585</b>	<b>11,711</b>

**NOTE 21 - FINANCIAL ASSETS AND LIABILITIES**

Financial assets and liabilities are classified as follows in accordance with IFRS 7:

(in EUR millions)	Notes	December 31, 2009	December 31, 2008
<b>Loans and receivables</b>			
- Trade and other accounts receivable	(9)	6,128	7,071
- Loans and deposits	(7)	188	214
<b>Available-for-sale financial assets</b>			
- Available for sale and other securities (a)	(7)	28	70
<b>Financial assets at fair value through profit or loss</b>			
- Derivatives recorded in assets (b)	(20)	15	75
- Cash and cash equivalents (c)	(19)	3,157	1,937
<b>Financial liabilities at amortized cost</b>			
- Trade and other accounts payable	(17)	(8,424)	(9,003)
- Long and short-term debt	(19)	(11,489)	(13,468)
<b>Financial liabilities at fair value</b>			
- Long and short-term debt (d)	(19)	(166)	(164)
- Derivatives recorded in liabilities (b)	(20)	(71)	(59)

- (a) Available-for-sale financial assets are generally measured at historical cost except for securities traded in an active market which are measured at the year-end market price (level 1 in the fair value hierarchy under IFRS 7).
- (b) Derivatives consist mainly of interest rate swaps and forward foreign exchange contracts. The fair value of these instruments is measured using the discounted cash flows method, corresponding to level 2 in the fair value hierarchy under IFRS 7.
- (c) Marketable securities included in cash and cash equivalents consist of mutual fund units measured at their net asset value, corresponding to level 1 in the fair value hierarchy under IFRS 7.
- (d) Long and short-term debt is measured at fair value using the discounted cash flows method, corresponding to level 2 in the fair value hierarchy under IFRS 7.

**NOTE 22 – BUSINESS INCOME BY EXPENSE TYPE**

<i>(in EUR millions)</i>	<b>2009</b>	<b>2008</b>
<b>Net sales</b>	<b>37,786</b>	<b>43,800</b>
Personnel costs		
Salaries and payroll taxes	(7,476)	(8,021)
Share-based payments <sup>(a)</sup>	(40)	(58)
Pensions	(139)	(173)
Depreciation and amortization	(1,514)	(1,511)
Other <sup>(b)</sup>	(26,401)	(30,388)
<b>Operating income</b>	<b>2,216</b>	<b>3,649</b>
Other business income <sup>(c)</sup>	36	53
Negative goodwill recognized in income	0	1
<b>Other business income</b>	<b>36</b>	<b>54</b>
Restructuring costs <sup>(d)</sup>	(435)	(190)
Provisions and expenses relating to claims and litigation <sup>(e)</sup>	(123)	(472)
Impairment of assets and other business expenses <sup>(f)</sup>	(416)	(181)
Other	(38)	(46)
<b>Other business expense</b>	<b>(1,012)</b>	<b>(889)</b>
<b>Business income</b>	<b>1,240</b>	<b>2,814</b>

- (a) Details of share-based payments are provided in Notes 11, 12 and 13.
- (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. This item also includes foreign exchange gains and losses, representing a net loss of €18 million in 2009 (2008: net gain of €18 million). In 2009, research and development costs recorded under operating expenses amounted to €86 million (2008: €77 million).
- (c) In 2009, other business income included capital gains on disposals of property, plant and equipment and intangible assets.
- (d) Restructuring costs in 2009 mainly consisted of employee termination benefits in an amount of €27 million (2008: €127 million).
- (e) In the periods 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 16 and 27.
- (f) Impairment losses on assets and other business expenses in 2009 included impairment losses of €210 million on goodwill (2008: €68 million) and €1 million on property, plant and equipment and intangible assets (2008: €103 million), and €68 million in losses on disposal or scrapping of property, plant and equipment and intangible assets. The balance corresponds to impairment losses on financial assets and current assets. In 2008, impairment losses also included a €161 million write-down of assets classified as held for sale (see Note 2).

**NOTE 23 – NET FINANCIAL EXPENSE****Breakdown of other financial income and expense**

<i>(in EUR millions)</i>	<b>2009</b>	<b>2008</b>
Interest cost - pension and other post-employment benefit obligations	(440)	(428)
Return on plan assets	338	431
<b>Interest cost - pension and other post-employment benefit obligations - net</b>	<b>(102)</b>	<b>3</b>
Other financial expense	(101)	(71)
Other financial income	18	25
<b>Other financial income and expense</b>	<b>(185)</b>	<b>(43)</b>

**Recognition of financial instruments**

Net financial expense amounted to €805 million in 2009 (2008: €750 million). Of this amount, €85.5 million (2008: €600.5 million) relates to 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 €20.5 million (2008: €6.3 million).

**NOTE 24 – RECURRING NET INCOME – CASH FLOW FROM OPERATIONS – EBITDA**

Recurring net income totaled €17 million in 2009 (2008: €1,914 million). Based on the weighted average number of shares outstanding at December 31 (473,244,410 shares in 2009, 374,998,085 shares in 2008), recurring earnings per share amounted to €1.30 in 2009 and €5.10 in 2008.

The difference between net income and recurring net income (attributable to the equity holders of the parent) corresponds to the following items:

<i>(in EUR millions)</i>	<b>2009</b>	<b>2008</b>
<b>Net income attributable to equity holders of the parent</b>	<b>202</b>	<b>1,378</b>
Less:		
Gains on disposals of assets	(32)	53
Impairment of assets	(348)	(181)
Provision for competition litigation and other non-recurring provision charges	(71)	(451)
Impact of minority interests	1	6
Tax impact	35	37
<b>Recurring net income attributable to equity holders of the parent</b>	<b>617</b>	<b>1,914</b>

Cash flow from operations for 2009 amounted to €2,303 million (2008: €3,524 million). Excluding tax on capital gains and losses, cash flow from operations came to €2,268 million in 2009 (2008: €3,487 million). These amounts are calculated as follows:

<i>(in EUR millions)</i>	<b>2009</b>	<b>2008</b>
<b>Net income attributable to equity holders of the parent</b>	<b>202</b>	<b>1,378</b>
Minority interests in net income	39	59
Share in net income of associates, net of dividends received	2	(7)
Depreciation, amortization and impairment of assets	1,857	1,681
Gains and losses on disposals of assets	32	(53)
Non-recurring charges to provisions	71	451
Unrealized gains and losses arising from changes in fair value and share-based payments	100	15
<b>Cash flow from operations</b>	<b>2,303</b>	<b>3,524</b>
Tax on capital gains and losses and non-recurring charges to provisions	(35)	(37)
<b>Cash flow from operations before tax on capital gains and losses and non-recurring charges to provisions</b>	<b>2,268</b>	<b>3,487</b>

EBITDA amounted to €3,730 million in 2009 (2008: €5,160 million), calculated as follows:

<i>(in EUR millions)</i>	<b>2009</b>	<b>2008</b>
Operating income	2,216	3,649
Depreciation and amortization	1,514	1,511
<b>EBITDA</b>	<b>3,730</b>	<b>5,160</b>

**NOTE 25 – EARNINGS PER SHARE**

The calculation of earnings per share is shown below.

	Adjusted net income attributable to equity holders of the parent	Number of shares	Earnings per share (in EUR )
<i>(in EUR millions)</i>			
<b>2009</b>			
Weighted average number of shares outstanding	<b>202</b>	473,244,410	<b>0.43</b>
Weighted average number of shares assuming full dilution	<b>202</b>	473,543,327	<b>0.43</b>
<b>2008</b>			
Weighted average number of shares outstanding	<b>1,378</b>	374,998,085	<b>3.67</b>
Weighted average number of shares assuming full dilution	<b>1,378</b>	376,825,178	<b>3.66</b>

The weighted average number of shares outstanding is calculated by deducting treasury stock (4,457,499 shares at December 31, 2009) 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 298,917 shares in 2009 (2008: 1,827,093 shares).



**NOTE 26 – 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 19 and 20, 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, 2009, €54 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 €168 million at December 31, 2009 (December 31, 2008: €201 million).

<i>(in EUR millions)</i>	<b>2009</b>	<b>2008</b>
<b>Future minimum lease payments</b>		
Due within 1 year	46	48
Due in 1 to 5 years	85	106
Due beyond 5 years	19	28
<b>Total</b>	<b>150</b>	<b>182</b>
Less finance charge	(16)	(17)
<b>Present value of future minimum lease payments</b>	<b>134</b>	<b>165</b>

- **Obligations under operating leases**

The Group leases equipment, vehicles and office, manufacturing and warehouse space under various non-cancelable 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 €15.4 million in 2009, corresponding to rental expense of €30.9 million – of which €62.8 million for property leases – less €5.5 million in revenue from subleases.

Future minimum payments due under non-cancelable operating leases are as follows:

<i>(in EUR millions)</i>	Total 2009	Payments due			Total 2008
		Within 1 year	In 1 to 5 years	Beyond 5 years	
Operating leases					
Rental expense	3,059	636	1,427	996	3,246
Subletting revenue	(66)	(13)	(22)	(31)	(91)
<b>Total</b>	<b>2,993</b>	<b>623</b>	<b>1,405</b>	<b>965</b>	<b>3,155</b>

- **Non-cancelable purchase commitments**

Non-cancelable purchase commitments include commitments to purchase raw materials and services and firm orders for property, plant and equipment.

<i>(in EUR millions)</i>	Total 2009	Payments due			Total 2008
		Within 1 year	In 1 to 5 years	Beyond 5 years	
Non-cancelable purchase commitments					
- Non-current assets	97	90	6	1	131
- Raw materials	525	195	264	66	684
- Services	112	48	62	2	126
- Other	172	82	85	5	220
<b>Total</b>	<b>906</b>	<b>415</b>	<b>417</b>	<b>74</b>	<b>1,161</b>

- **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 €102 million at December 31, 2009 (December 31, 2008: €120 million).

- **Commercial commitments**

<i>(in EUR millions)</i>	Total 2009	Payments due			Total 2008
		Within 1 year	In 1 to 5 years	Beyond 5 years	
Security for borrowings	54	29	7	18	35
Written put options	0				0
Other commitments given	119	58	17	44	132
<b>Total</b>	<b>173</b>	<b>87</b>	<b>24</b>	<b>62</b>	<b>167</b>

At December 31, 2009, pledged assets amounted to €15 million (December 31, 2008: €28 million) and mainly concerned fixed assets in India.

Guarantees given to the Group in respect of receivables amounted to €79 million at December 31, 2009 (December 31, 2008: €89 million).

## **NOTE 27 – LITIGATION**

### **Asbestos-related litigation in France**

In France, further individual lawsuits were filed in 2009 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 704 such lawsuits have been issued against the two companies since 1997.

At December 31, 2009, 614 of these 704 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 €1,3 million in compensation in settlement of these lawsuits.

Concerning the 90 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2009, the merits of 22 have been decided but the compensation awards have not yet been made, pending issue of medical reports or Appeal Court rulings. In all these cases, the Social Security authorities were ordered to pay compensation for the victims for procedural reasons (non-opposability). A further 21 of these 90 lawsuits have been completed in terms of both liability and quantum but liability for the payment of compensation has not yet been assigned.

Of the 47 remaining lawsuits, at December 31, 2009 the procedures relating to the merits of 44 cases were at different stages, with 9 being investigated by the French Social Security authorities and 35 pending before the Social Security courts. The other 3 lawsuits are pending before the Court of Appeal for reasons not involving Everite and Saint-Gobain PAM.

In addition, as of December 31, 2009, 121 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 that date, 85 lawsuits had been completed. In 23 of these cases, the employer was held liable for inexcusable fault.

For the 36 suits outstanding at December 31, 2009, arguments were being prepared by the French Social Security authorities in 5 cases, 26 were being investigated – including 25 pending before the Social Security courts and 1 before the Court of Appeal – and 5 had been completed in terms of liability but not in terms of quantum, of which 3 pending before the Courts of Appeal and 2 before the Social Security courts.

## **Asbestos-related litigation in the United States**

In the United States, several companies that once manufactured products containing asbestos such as asbesto-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 which have been manufacturers, distributors, installers or users of products containing asbestos.

### **Developments in 2009**

About 4,000 new claims were filed against CertainTeed in 2009, compared to about 5,000 in 2008, 6,000 in 2007, 7,000 in 2006 and 17,000 in 2005. This decline was felt over the last five years in most States, particularly in those which had seen the greatest numbers of claims in the previous years. This decline reflects, among other things, 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 2009, about the same number as were resolved in 2008 and in 2007, compared to 12,000 in 2006 and 20,000 in 2005. Taking into account the 68,000 outstanding claims at the end of 2008 and the new claims having arisen during the year, as well as claims settled, some 64,000 claims were outstanding at December 31, 2009. 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 2009 to cover future developments in relation to claims involving CertainTeed. This amount is identical to the amount recorded in 2008, and slightly lower than the €90 million recorded in 2007, the €95 million recorded in 2006 and the €100 million recorded in 2005. At December 31, 2009, the Group reserve for asbestos-related claims against CertainTeed in the United States amount to €347 million, (USD 500 million), compared with €361 million, (USD 502 million) at December 31, 2008, €321 million (USD 473 million) at December 31, 2007, €342 million (USD 451 million) at December 31, 2006 and €358 million (USD 422 million) at December 31, 2005.

### **Cash flow impact**

Compensation paid in respect of these claims against CertainTeed, including claims settled prior to 2009 but only paid out in 2009, and those fully resolved and paid in 2009, and compensation paid (net of insurance) in 2009 by other Group businesses in connection with asbestos-related litigation, amounted to €55 million (USD 77 million), compared to €48 million (USD 71 million) in 2008, €3 million (USD 73 million) in 2007, €67 million (USD 84 million) in 2006 and €72 million (USD 89 million) in 2005. The increase of the total amount of the compensation paid in 2009 compared to the amount paid in 2008 is mainly due to the higher number of malignant claims among the resolved claims. This trend in the increase should continue in 2010.

\*\*\*

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, 2009, 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 €96 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 €96 million fine and the related interest, calculated at the rate of 5.25% from March 9, 2009. The necessary steps were taken to set up this bond within the required timeframe.

As a result of these developments, the €94 million provision set aside at December 31, 2007, which was reduced to €60 million at June 30, 2008 following payment of the €134 million fine, was increased to €60 million at December 31, 2008 to cover the €96 million fine, together with the cost of the bond and the estimated legal costs over the appeal period. At December 31, 2009, the provision was further increased to €91 million to cover the interest that had accrued since March 9, 2009.

The appeal against the November 12, 2008 decision is currently pending before the Court of First Instance of the European Communities.

**NOTE 28 – RELATED-PARTY TRANSACTIONS****Balances and transactions with associates**

<i>(in EUR millions)</i>	<b>December 31, 2009</b>	<b>December 31, 2008</b>
<b>Assets</b>		
Financial receivables	1	2
Inventories	0	1
Short-term receivables	11	11
Cash and cash equivalents	0	0
Provisions for impairment in value	1	0
<b>Liabilities</b>		
Short-term debt	3	4
Cash advances	1	0
<b>Expenses</b>		
Purchases	16	21
<b>Income</b>		
Sales	40	45

**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 2009, these revenues amounted to €1 million (2008: €8 million).

**Transactions with key shareholders**

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

**NOTE 29 – JOINT VENTURES**

The amounts recorded in the balance sheet and income statement corresponding to the Group's interest in its proportionately consolidated companies are as follows:

<i>(in EUR millions)</i>	<b>2009</b>	<b>2008</b>
Non-current assets	283	303
Current assets	140	163
Non-current liabilities	35	35
Current liabilities	119	142
Sales	311	320
Operating expenses	263	257

**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 2009:

<i>(in EUR millions)</i>	<b>2009</b>	<b>2008</b>
Attendance fees	0.8	0.8
Direct and indirect compensation (gross):		
- Fixed portion	7.6	8.0
- Variable portion	2.6	5.4
Estimated compensation cost - pensions and other employee benefits (IAS 19)	2.1	1.4
Expense relating to stock options	8.2	10.7
Termination benefits	0.0	1.5
<b>Total</b>	<b>21.3</b>	<b>27.8</b>

Employers' social security contributions relating to the above compensation represented an estimated €3.3 million. Pension obligations for the Group's directors and corporate officers totaled €6.9 million.

**NOTE 31 – EMPLOYEES**

<b>Average number of employees</b>	<b>2009</b>	<b>2008</b>
<b>Fully consolidated companies</b>		
Managers	25,179	22,674
Administrative employees	81,005	84,589
Other employees	90,862	99,205
<b>Sub-total</b>	<b>197,046</b>	<b>206,468</b>
<b>Proportionately consolidated companies (*)</b>		
Managers	112	126
Administrative employees	584	548
Other employees	971	911
<b>Sub-total</b>	<b>1,667</b>	<b>1,585</b>
<b>Total</b>	<b>198,713</b>	<b>208,053</b>

\* Proportion of headcount allocated to the Group.

At December 31, 2009, the total number of Group employees – including in proportionately consolidated companies – was 189,876 (December 31, 2008: 207,684).



**NOTE 32 – SEGMENT INFORMATION****Segment information by sector and division**

Segment information is presented as follows:

- Innovative Materials Sector
  - Flat Glass
  - 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 EUR millions)	INNOVATIVE MATERIALS				CONSTRUCTION PRODUCTS				BUILDING DISTRIBUTION	PACKAGING	Other*	Total
	Flat Glass	High Performance Materials	Intra-Segment Eliminations	Total	Interior Solutions	Exterior Solutions	Intra-Segment Eliminations	Total				
<b>2009</b>												
External sales	4,532	3,143		7,675	4,518	5,047		9,565	17,098	3,445	3	37,786
Internal sales	40	97	(20)	117	516	366	(33)	849	3		(969)	0
Net sales	4,572	3,240	(20)	7,792	5,034	5,413	(33)	10,414	17,101	3,445	(966)	37,786
Operating income/(loss)	155	215		370	344	641		985	412	437	12	2,216
Business income/(loss)	(46)	116		70	59	580		639	250	395	(114)	1,240
Share in net income/(loss) of associates	1			1	(1)	(1)		(2)	2	1		2
Depreciation and amortization	289	184		473	328	181		509	286	220	26	1,514
Impairment of assets	8	19		27	235	18		253	18	9	41	348
Capital expenditure	327	130		457	201	167		368	166	260	14	1,265
Cash flow from operations				385				659	283	492	484	2,303
EBITDA	444	399		843	672	822		1,494	698	657	38	3,730
Goodwill, net				1,373				5,757	3,375	235		10,740
Non-amortizable brands								820	1,854			2,674
Total segment assets**				6,846				12,163	7,979	2,067	272	29,327

\* “Other” corresponds to a) the elimination of intragroup transactions for internal sales and b) holding company transactions for the other captions.

\*\* Segment assets include net property, plant and equipment, working capital, goodwill and net other intangible assets, after deducting deferred taxes on brands and land.

(in EUR millions)	INNOVATIVE MATERIALS				CONSTRUCTION PRODUCTS				BUILDING DISTRIBUTION	PACKAGING	Other*	Total
	Flat Glass	High Performance Materials	Intra-Segment Eliminations	Total	Interior Solutions	Exterior Solutions	Intra-Segment Eliminations	Total				
<b>2008</b>												
External sales	5,502	4,032		9,534	5,538	5,482		11,020	19,692	3,547	7	43,800
Internal sales	47	133	(37)	143	611	437	(33)	1,015	4	0	(1,162)	0
Net sales	5,549	4,165	(37)	9,677	6,149	5,919	(33)	12,035	19,696	3,547	(1,155)	43,800
Operating income/(loss)	701	543		1,244	592	478		1,070	894	442	(1)	3,649
Business income/(loss)	212	500		712	579	369		948	826	432	(104)	2,814
Share in net income/(loss) of associates	0	1		1	6	0		6	1	2	1	11
Depreciation and amortization	315	178		493	327	176		503	284	208	23	1,511
Impairment of assets	52	53		105	10	16		26	35	3	1	170
Capital expenditure	576	223		799	529	236		765	298	283	18	2,163
Cash flow from operations				1,170				885	650	510	309	3,524
EBITDA	1,016	721		1,737	919	654		1,573	1,178	650	22	5,160
Goodwill, net				1,394				5,817	3,217	243		10,671
Non-amortizable brands								710	1,803			2,513
Total segment assets**				7,025				12,513	8,513	2,023	149	30,223

\* "Other" corresponds to a) the elimination of intragroup transactions for internal sales and b) holding company transactions for the other captions.

\*\* Segment assets include net property, plant and equipment, working capital, goodwill and net other intangible assets, after deducting deferred taxes on brands and land.

**Information by geographic area**

<i>(in EUR millions)</i>	<b>France</b>	<b>Other Western European countries</b>	<b>North America</b>	<b>Emerging countries and Asia</b>	<b>Internal sales</b>	<b>TOTAL</b>
<b>2009</b>						
Net sales	11,495	16,557	4,864	6,377	(1,507)	<b>37,786</b>
Total segment assets	6,834	12,532	4,446	5,515		<b>29,327</b>
Capital expenditure	265	418	168	414		<b>1,265</b>

<i>(in EUR millions)</i>	<b>France</b>	<b>Other Western European countries</b>	<b>North America</b>	<b>Emerging countries and Asia</b>	<b>Internal sales</b>	<b>TOTAL</b>
<b>2008</b>						
Net sales	13,076	19,941	5,499	7,404	(2,120)	<b>43,800</b>
Total segment assets	7,317	12,613	4,873	5,420		<b>30,223</b>
Capital expenditure	565	684	221	693		<b>2,163</b>

The geographical breakdown of external sales by destination for 2009 and 2008 is as follows:

<i>(in EUR millions)</i>	<b>France</b>	<b>Other Western European countries</b>	<b>North America</b>	<b>Emerging countries and Asia</b>	<b>TOTAL</b>
<b>2009</b>					
Net sales	10,198	16,174	4,637	6,777	<b>37,786</b>
<b>2008</b>					
Net sales	11,499	19,253	5,262	7,786	<b>43,800</b>

**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, 2009** **% 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 Glass Logistics	France	100.00%
Saint-Gobain Sekurit Deutschland GmbH & CO Kg	Germany	99.92%
Saint-Gobain Glass Deutschland GmbH	Germany	99.92%
SG Deutsche Glas GmbH	Germany	99.92%
Saint-Gobain Glass Benelux	Belgium	99.80%
Saint-Gobain Sekurit Benelux SA	Belgium	99.92%
Saint-Gobain Autover Distribution SA	Belgium	99.92%
Koninklijke Saint-Gobain Glass	Netherlands	100.00%
Saint-Gobain Glass Polska Sp Zoo	Poland	99.92%
Saint-Gobain Sekurit Hanglas Polska Sp. Z O.O	Poland	97.55%
Cebrace Cristal Plano Ltda	Brazil	50.00%
Saint-Gobain Do Brazil Ltda	Brazil	100.00%
Saint-Gobain Cristaleria SA	Spain	99.83%
Solaglas Ltd	United Kingdom	99.97%
Saint-Gobain Glass UK Limited	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	99.83%

**HIGH PERFORMANCE MATERIALS**

Saint-Gobain Abrasifs	France	99.93%
Societe Europeenne des Produits Refractaires	France	100.00%
Saint-Gobain Abrasives GmbH	Germany	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	99.93%
SEPR Italia	Italy	100.00%
Saint-Gobain Abrasivos Brasil Ltda	Brazil	100.00%
Saint-Gobain Abrasives BV	Netherlands	100.00%
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%
Saint-Gobain Gyproc Belgium NV	Belgium	100.00%
CertainTeed Corporation	United States	100.00%
Saint-Gobain Isover AB	Sweden	100.00%
Saint-Gobain Ecophon Group	Sweden	100.00%
Saint-Gobain Construction Product Russia Insulation	Russia	100.00%
BPB Plc	United Kingdom	100.00%
Certain Teed Gypsum & Ceillings USA	United States	100.00%
Certain Teed Gypsum Canada Inc	Canada	100.00%
Saint-Gobain Gyproc South Africa	South Africa	100.00%
Saint-Gobain Placo Iberica	Spain	99.83%
Saint-Gobain PPC 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 Cemarsa SA	Spain	99.83%
Maxit Group AB	Sweden	100.00%
Saint-Gobain Weber AG	Switzerland	100.00%
Saint-Gobain Weber Germany	Germany	99.99%
CertainTeed Corporation	United States	100.00%
Saint-Gobain PAM SA	France	100.00%
Saint-Gobain PAM Deutschland GmbH	Germany	100.00%
Saint-Gobain PAM UK Limited	United Kingdom	99.97%
Saint-Gobain PAM Espana SA	Spain	99.83%
Saint-Gobain PAM Italia s.p.a	Italy	100.00%
Saint-Gobain Canalizacao 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	99.83%
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 AS	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	99.75%
Saint-Gobain Containers Inc.	United States	100.00%
Saint-Gobain Vetri SpA	Italy	99.99%

**NOTE 34 – SUBSEQUENT EVENTS**

None.

## CONTENTS

<b>CONSOLIDATED BALANCE SHEET .....</b>	<b>2</b>
<b>CONSOLIDATED INCOME STATEMENT .....</b>	<b>3</b>
<b>CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE .....</b>	<b>4</b>
<b>CONSOLIDATED CASH FLOW STATEMENT .....</b>	<b>5</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....</b>	<b>6</b>
<b>NOTE 1 - ACCOUNTING PRINCIPLES AND POLICIES .....</b>	<b>7</b>
<b>NOTE 2 - CHANGES IN GROUP STRUCTURE .....</b>	<b>22</b>
<b>NOTE 3 – GOODWILL .....</b>	<b>25</b>
<b>NOTE 4 – OTHER INTANGIBLE ASSETS .....</b>	<b>26</b>
<b>NOTE 5 – PROPERTY, PLANT AND EQUIPMENT .....</b>	<b>27</b>
<b>NOTE 6 – INVESTMENTS IN ASSOCIATES .....</b>	<b>28</b>
<b>NOTE 7 – OTHER NON-CURRENT ASSETS .....</b>	<b>29</b>
<b>NOTE 8 – INVENTORIES .....</b>	<b>30</b>
<b>NOTE 9 – TRADE AND OTHER ACCOUNTS RECEIVABLE .....</b>	<b>31</b>
<b>NOTE 10 – EQUITY .....</b>	<b>32</b>
<b>NOTE 11 – STOCK OPTION PLANS .....</b>	<b>33</b>
<b>NOTE 12 – GROUP SAVINGS PLAN ("PEG") .....</b>	<b>35</b>
<b>NOTE 13 – PERFORMANCE SHARE PLAN .....</b>	<b>37</b>
<b>NOTE 14 – PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS .....</b>	<b>38</b>
<b>NOTE 15 – CURRENT AND DEFERRED TAXES .....</b>	<b>45</b>
<b>NOTE 16 – OTHER CURRENT AND NON-CURRENT LIABILITIES AND PROVISIONS .....</b>	<b>47</b>
<b>NOTE 17 – TRADE AND OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES .....</b>	<b>49</b>
<b>NOTE 18 – RISK FACTORS .....</b>	<b>50</b>
<b>NOTE 19 – NET DEBT .....</b>	<b>53</b>
<b>NOTE 20 - FINANCIAL INSTRUMENTS .....</b>	<b>57</b>
<b>NOTE 21 - FINANCIAL ASSETS AND LIABILITIES .....</b>	<b>60</b>
<b>NOTE 22 – BUSINESS INCOME BY EXPENSE TYPE .....</b>	<b>61</b>
<b>NOTE 23 – NET FINANCIAL EXPENSE .....</b>	<b>62</b>
<b>NOTE 24 – RECURRING NET INCOME – CASH FLOW FROM OPERATIONS – EBITDA .....</b>	<b>63</b>
<b>NOTE 25 – EARNINGS PER SHARE .....</b>	<b>64</b>
<b>NOTE 26 – COMMITMENTS .....</b>	<b>65</b>
<b>NOTE 27 – LITIGATION .....</b>	<b>67</b>
<b>NOTE 28 – RELATED-PARTY TRANSACTIONS .....</b>	<b>70</b>
<b>NOTE 29 – JOINT VENTURES .....</b>	<b>71</b>
<b>NOTE 30 – MANAGEMENT COMPENSATION .....</b>	<b>71</b>
<b>NOTE 31 – EMPLOYEES .....</b>	<b>72</b>
<b>NOTE 32 – SEGMENT INFORMATION .....</b>	<b>73</b>
<b>NOTE 33 – PRINCIPAL FULLY CONSOLIDATED COMPANIES .....</b>	<b>76</b>
<b>NOTE 34 – SUBSEQUENT EVENTS .....</b>	<b>79</b>