

# **CONSOLIDATED FINANCIAL STATEMENTS**

**SIX MONTHS ENDED  
JUNE 30, 2009**



**GROUP CONSOLIDATION  
AND REPORTING**

**CONSOLIDATED BALANCE SHEET**

<i>(in € millions)</i>	Notes	<b>June 30, 2009</b>	<b>Dec 31, 2008</b>
<b>ASSETS</b>			
Goodwill	(3)	10,990	10,671
Other intangible assets		3,046	2,868
Property, plant and equipment	(4)	13,304	13,374
Investments in associates		119	116
Deferred tax assets	(8)	658	507
Other non-current assets		388	490
<b>Non-current assets</b>		<b>28,505</b>	<b>28,026</b>
Inventories	(5)	5,986	6,113
Trade accounts receivable	(6)	6,089	5,647
Current tax receivable		282	248
Other receivables	(6)	1,283	1,424
Cash and cash equivalents	(10)	2,109	1,937
<b>Current assets</b>		<b>15,749</b>	<b>15,369</b>
<b>Total assets</b>		<b>44,254</b>	<b>43,395</b>
<b>EQUITY AND LIABILITIES</b>			
Capital stock		2,051	1,530
Additional paid-in capital and legal reserve		5,341	3,940
Retained earnings and net income for the period		10,394	10,911
Cumulative translation adjustments		(1,349)	(1,740)
Fair value reserves		(117)	(161)
Treasury stock		(211)	(206)
<b>Shareholders' equity</b>		<b>16,109</b>	<b>14,274</b>
Minority interests		263	256
<b>Total equity</b>		<b>16,372</b>	<b>14,530</b>
Long-term debt	(10)	8,902	10,365
Provisions for pensions and other employee benefits	(7)	2,575	2,443
Deferred tax liabilities	(8)	1,125	1,130
Other non-current liabilities and provisions	(9)	2,131	1,950
<b>Non-current liabilities</b>		<b>14,733</b>	<b>15,888</b>
Current portion of long-term debt	(10)	2,760	1,364
Current portion of other liabilities	(9)	478	460
Trade accounts payable	(6)	5,204	5,613
Current tax liabilities		150	263
Other payables and accrued expenses	(6)	3,220	3,390
Short-term debt and bank overdrafts	(10)	1,337	1,887
<b>Current liabilities</b>		<b>13,149</b>	<b>12,977</b>
<b>Total equity and liabilities</b>		<b>44,254</b>	<b>43,395</b>

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

**CONSOLIDATED INCOME STATEMENT**

<i>(in € millions)</i>	Notes	<b>First-half 2009</b>	<b>First-half 2008</b>
Net sales	(21)	18,715	22,141
Cost of sales*	(12)	(14,309)	(16,428)
Selling, general and administrative expenses including research*	(12)	(3,476)	(3,708)
<b>Operating income</b>		<b>930</b>	<b>2,005</b>
Other business income	(12)	2	12
Other business expense	(12)	(331)	(120)
<b>Business income</b>		<b>601</b>	<b>1,897</b>
Borrowing costs, gross		(357)	(361)
Income from cash and cash equivalents		25	35
<b>Borrowing costs, net</b>		<b>(332)</b>	<b>(326)</b>
Other financial income and expense	(15)	(80)	(26)
<b>Net financial expense</b>		<b>(412)</b>	<b>(352)</b>
Share in net income of associates		2	7
Income taxes	(8)	(53)	(444)
<b>Net income</b>		<b>138</b>	<b>1,108</b>
<b>Attributable to equity holders of the parent</b>		<b>128</b>	<b>1,076</b>
Minority interests		10	32
<b>Earnings per share (in €)</b>			
Weighted average number of shares in issue		439,305,156	371,914,226
Basic earnings per share		0.29	2.89
Weighted average number of shares assuming full dilution		439,442,257	374,659,266
Diluted earnings per share		0.29	2.87

\* First-half 2008 data has been restated to reflect the reclassification of €76 million in “Selling, general and administrative expenses” to “Cost of sales”.

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

**STATEMENT OF RECOGNIZED INCOME AND EXPENSE**

<i>(in € millions)</i>	Shareholders' equity		Minority interests	Total equity
	Before tax	Tax		
<b>First-half 2008</b>				
<b>Net income</b>	<b>1,502</b>	<b>(426)</b>	<b>32</b>	<b>1,108</b>
Translation adjustments	(538)	0	(15)	(553)
Changes in fair value	98	(37)	0	61
Changes in actuarial gains and losses	(53)	22	0	(31)
Other	0	(10) (a)	(6)	(16)
<b>Income and expense recognized directly in equity</b>	<b>(493)</b>	<b>(25)</b>	<b>(21)</b>	<b>(539)</b>
Total recognized income and expense for the period	1,009	(451)	11	569
<b>First-half 2009</b>				
<b>Net income</b>	<b>173</b>	<b>(45)</b>	<b>10</b>	<b>138</b>
Translation adjustments	391	0	13	404
Changes in fair value	44	(11)	0	33
Changes in actuarial gains and losses	(245)	74	0	(171)
Other	0	0	0	0
<b>Income and expense recognized directly in equity</b>	<b>190</b>	<b>63</b>	<b>13</b>	<b>266</b>
Total recognized income and expense for the period	363	18	23	404

(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 discounted in 2008, leading to the recognition of €10 million 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 € millions)</i>	Notes	<b>First-half 2009</b>	<b>First-half 2008</b>
<b>Net income attributable to equity holders of the parent</b>		<b>128</b>	<b>1,076</b>
Minority interests in net income	(*)	10	32
Share in net income of associates, net of dividends received		0	(3)
Depreciation, amortization and impairment of assets	(12)	823	778
Gains and losses on disposals of assets	(12)	(2)	(12)
Unrealized gains and losses arising from changes in fair value and share-based payments		88	23
Changes in inventories	(5)	240	(458)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(6)	(785)	(732)
Changes in tax receivable and payable	(8)	(93)	174
Changes in deferred taxes and provisions for other liabilities and charges	(7)(8)(9)	(127)	(288)
<b>Net cash from operating activities</b>		<b>282</b>	<b>590</b>
Purchases of property, plant and equipment [H1 2009:(514), H1 2008:(872)] and intangible assets	(4)	(538)	(905)
Increase (decrease) in amounts due to suppliers of fixed assets	(6)	(242)	(195)
Acquisitions of shares in consolidated companies [ H1 2009:(162), H1 2008:(2,085)], net of cash acquired	(2)	(151)	(2,013)
Acquisitions of other investments		(2)	(93)
Increase in investment-related liabilities	(9)	25	95
Decrease in investment-related liabilities	(9)	(35)	(6)
<b>Investments</b>		<b>(943)</b>	<b>(3,117)</b>
Disposals of property, plant and equipment and intangible assets	(4)	36	32
Disposals of shares in consolidated companies, net of cash divested	(2)	3	40
Disposals of other investments and other divestments		6	6
<b>Divestments</b>		<b>45</b>	<b>78</b>
Increase in loans and deposits		(23)	(38)
Decrease in loans and deposits		33	48
<b>Net cash used in investing activities</b>		<b>(888)</b>	<b>(3,029)</b>
Issues of capital stock	(*)	1,922	353
Minority interests' share in capital increases of subsidiaries	(*)	1	2
(Increase) decrease in treasury stock	(*)	(6)	(7)
Dividends paid	(*)	(486)	(767)
Dividends paid to minority shareholders of consolidated subsidiaries and increase (decrease) in dividends payable		148	(46)
Increase (decrease) in bank overdrafts and other short-term debt		(559)	1,998
Increase in long-term debt		1,997	2,251
Decrease in long-term debt		(2,265)	(885)
<b>Cash flows from (used in) financing activities</b>		<b>752</b>	<b>2,899</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>146</b>	<b>460</b>
Net effect of exchange rate changes on cash and cash equivalents		26	(32)
<b>Cash and cash equivalents at beginning of period</b>		<b>1,937</b>	<b>1,294</b>
<b>Cash and cash equivalents at end of period</b>		<b>2,109</b>	<b>1,722</b>

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

Income tax paid amounted to €301 million in first-half 2009 and €315 million in first-half 2008. Interest paid net of interest received amounted to €373 million in first-half 2009 and €291 million in first-half 2008.

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 € millions)</i>								
	Issued	Outstanding (excluding treasury stock)	Capital stock	Additional paid-in capital and legal reserve	Retained earnings and net income for the period	Cumulative translation adjustment	Fair value reserves	Treasury stock	Share- holders' equity	Minority interests	Total equity
<b>At January 31, 2008</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>
<b>Net income</b>					<b>1,076</b>				<b>1,076</b>	<b>32</b>	<b>1,108</b>
Income and expenses recognized directly in equity			0	0	(78)	(538)	98	0	(518)	(21)	(539)
<b>Total recognized income and expense for the period</b>			<b>0</b>	<b>0</b>	<b>998</b>	<b>(538)</b>	<b>98</b>	<b>0</b>	<b>558</b>	<b>11</b>	<b>569</b>
Issues of capital stock											
- Group Savings Plan	8,272,947	8,272,947	33	320					353		353
- Other		0							0	2	2
Dividends paid (€2.05 per share)					(767)				(767)	(36)	(803)
Treasury stock purchased		(1,693,148)						(88)	(88)		(88)
Treasury stock cancelled									0		0
Treasury stock sold		1,570,411			(3)			84	81		81
Share-based payments					37				37		37
<b>At June 30, 2008</b>	<b>382,489,099</b>	<b>377,990,393</b>	<b>1,530</b>	<b>3,937</b>	<b>10,890</b>	<b>(1,102)</b>	<b>106</b>	<b>(210)</b>	<b>15,151</b>	<b>267</b>	<b>15,418</b>
<b>Net income</b>					<b>302</b>				<b>302</b>	<b>27</b>	<b>329</b>
Income and expenses recognized directly in equity			0	0	(298)	(638)	(267)	0	(1,203)	(20)	(1,223)
<b>Total recognized income and expense for the period</b>			<b>0</b>	<b>0</b>	<b>4</b>	<b>(638)</b>	<b>(267)</b>	<b>0</b>	<b>(901)</b>	<b>7</b>	<b>(894)</b>
Issues of capital stock											
- Stock option plans	82,886	82,886		3					3		3
- Other		0							0	2	2
Dividends paid (€2.05 per share)									0	(20)	(20)
Treasury stock purchased		(1,205,757)						(43)	(43)		(43)
Treasury stock cancelled									0		0
Treasury stock sold		1,159,314			(4)			47	43		43
Share-based payments					21				21		21
<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>
<b>Net income</b>					<b>128</b>				<b>128</b>	<b>10</b>	<b>138</b>
Income and expenses recognized directly in equity			0	0	(182)	391	44	0	253	13	266
<b>Total recognized income and expense for the period</b>			<b>0</b>	<b>0</b>	<b>(54)</b>	<b>391</b>	<b>44</b>	<b>0</b>	<b>381</b>	<b>23</b>	<b>404</b>
Issues of capital stock											
- March 23, 2009 rights issue	108,017,212	108,017,212	432	1,041					1,473		1,473
- Group Savings Plan	8,498,377	8,498,377	34	100					134		134
- Stock dividends	13,805,920	13,805,920	55	260					315		315
- Stock options		0							0		0
- Other		0							0	1	1
Dividends paid (€1.00 per share)					(486)				(486)	(17)	(503)
Treasury stock purchased		(872,545)						(22)	(22)		(22)
Treasury stock cancelled									0		0
Treasury stock sold		563,275			(1)			17	16		16
Share-based payments					24				24		24
<b>At June 30, 2009</b>	<b>512,893,494</b>	<b>508,039,075</b>	<b>2,051</b>	<b>5,341</b>	<b>10,394</b>	<b>(1,349)</b>	<b>(117)</b>	<b>(211)</b>	<b>16,109</b>	<b>263</b>	<b>16,372</b>

On March 23, 2009, the Group issued 108,017,212 shares with a par value of €4 at a price of €14 per share, representing a total of €1,512 million. Reinvested 2008 dividends totalled €315 million and are reported under “Issues of capital stock – Stock dividends”

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **NOTE 1 - ACCOUNTING PRINCIPLES AND POLICIES**

#### **BASIS OF PREPARATION**

The interim consolidated financial statements of Compagnie de Saint-Gobain and its subsidiaries (“the Group”) have been prepared in accordance with the accounting and measurement principles set out in International Financial Reporting Standards (IFRSs), as described in these notes. These condensed financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting.

These notes should be read in conjunction with the consolidated financial statements for the year ended December 31, 2008, prepared in accordance with the IFRSs adopted for use in the European Union.

The accounting policies applied are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2008. The interim 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.

None of the standards, interpretations and amendments to published standards applicable for the first time in 2009 (see table below) have a material impact on the Group’s consolidated financial statements. The application of IFRS 8 – Operating Segments does not have any impact on the presentation of the information by sector and division in Note 21. The segment analyses presented in Note 21 comprise only those disclosures required by IAS 34.

Concerning Employee benefits, the IFRIC 14 interpretation does not have any impact on the first-half 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 July 23, 2009. 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, provisions for other liabilities and charges, asset impairment tests, deferred taxes, share-based payments and financial instruments. Estimates are revised at the balance sheet date and tests are carried out where appropriate to assess their sensitivity to changes in assumptions.

**SUMMARY OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS**

<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
IFRS 8	Operating Segments
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
<b>Standards, interpretations and amendments to existing standards early adopted in 2009</b>	
IAS 27R	Consolidated and Separate Financial Statements
IFRS 3R	Business Combinations (Phase 2)
Amendments to IAS 39*	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRIC 13	Customer Loyalty Programmes
IFRIC 15*	Agreements for the Construction of Real Estate
IFRIC 16*	Hedges of a Net Investment in a Foreign Operation
IFRIC 17*	Distributions of Non-Cash Assets to Owners

\* Not yet adopted by the European Union.

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

**INTERIM FINANCIAL STATEMENTS**

The interim financial statements, which are not intended to provide a measure of performance for the full year, include all period-end accounting entries deemed necessary by Group management in order to give a true and fair view of the information presented.

Goodwill and other intangible assets are systematically tested for impairment during the second half of the year as part of the preparation process for the five-year business plan. Tests are generally performed for the interim financial statements only in the event of an unfavorable change in impairment indicators. However, in light of the current economic environment, all cash-generating units (CGUs) were tested for impairment at June 30, 2009.

The cost of the Group Savings Plan was recognized in full during the first half of the year, as the subscription period ended on June 30.

For the countries where the Group's pension and other post-employment benefit obligations are the most significant – i.e. the United States, the United Kingdom, France and the rest of the euro zone – actuarial valuations are updated at the end of June and the related provisions are adjusted accordingly (see Note 7). For the other host countries, actuarial valuations are performed as part of the annual budget procedure and provisions in the interim balance sheet are based on estimates made at the end of the previous year.



## **CONSOLIDATION**

### **Scope of consolidation**

The Group's interim 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 first-half 2009 are presented in Note 2 and a list of the principal consolidated companies at June 30, 2009 is provided in Note 22.

### **Consolidation methods**

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

Interests in jointly controlled entities are proportionately consolidated. The Group has elected not to apply the alternative treatment permitted by IAS 31, under which jointly controlled companies may be accounted for by the equity method.

Companies over which the Group directly or indirectly exercises significant influence are accounted for by the equity method.

### **Business combinations**

The accounting policies applied in respect of business combinations comply with IFRS 3 and are described in the sections dealing with potential voting rights, share purchase commitments and goodwill.

### **Potential voting rights and share purchase commitments**

Potential voting rights conferred by call options on minority interests are taken into account in determining whether the Group exclusively controls an entity only when the options are currently exercisable.

When calculating its percentage interest in controlled companies, the Group considers the impact of cross put and call options on minority interests in the companies concerned. This approach gives rise to the recognition in the financial statements of an investment-related liability (included within "Other liabilities") corresponding to the present value of the estimated exercise price of the put option, with a corresponding reduction in minority interests and increase in goodwill. Any subsequent changes in the fair value of the liability are recognized by adjusting goodwill.

### **Non-current assets and liabilities held for sale – Discontinued operations**

Assets that are immediately available for sale and for which a sale is highly probable, are classified as non-current assets held for sale. Related liabilities are classified as liabilities directly associated with non-current assets held for sale. When several assets are held for sale in a single transaction, they are accounted for as a disposal group, which also includes any liabilities directly associated with those assets.

The assets, or disposal groups held for sale, are measured at the lower of carrying amount and fair value less costs to sell. Depreciation ceases when non-current assets or disposal groups are classified as held for sale. When the assets held for sale are consolidated companies, deferred tax is recognized on the difference between the consolidated carrying amount of the shares and their tax basis, in accordance with IAS 12.

Non-current assets held for sale and directly associated liabilities are presented separately on the face of the consolidated balance sheet, and income and expenses continue to be recognized in the consolidated income statement on a line-by-line basis. Income and expenses arising on discontinued operations are recorded as a single amount on the face of the consolidated income statement.

At each balance sheet date, the value of the assets and liabilities is reviewed to determine whether any additions to or reversals of provisions should be recognized due to a change in their fair value less costs to sell.

### **Intragroup transactions**

All intragroup balances and transactions are eliminated in consolidation.

### **Minority interests**

When a consolidated subsidiary's cumulative losses exceed its equity, the portion of the excess attributable to minority interests is allocated to the Group's majority interest unless the minority has a binding obligation to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the Group's majority interest until the minority's share of losses previously absorbed by the Group has been recovered.

Transactions with minority interests are treated in the same way as transactions with parties external to the Group.

### **Translation of the financial statements of foreign companies**

The consolidated financial statements are presented in euros, which is Compagnie de Saint-Gobain's functional and presentation currency.

Assets and liabilities of subsidiaries outside the euro zone are translated into euros at the closing exchange rate and income and expense items are translated using the average exchange rate for the period, except when exchange rates have been particularly volatile.

The Group's share of any translation gains or losses is included in equity under "Cumulative translation adjustments", until the foreign operations to which they relate are sold or liquidated, at which time they are taken to the income statement. The Group elected to use the exemption allowed under IFRS 1, by resetting to zero at January 1, 2004 the cumulative translation differences that existed at the IFRS transition date.

### **Foreign currency transactions**

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the transaction date. Assets and liabilities denominated in foreign currencies are translated at the closing rate and any exchange differences are recorded in the income statement. As an exception to this principle, exchange differences relating to loans and borrowings between Group companies are recorded, net of tax, in equity under "Cumulative translation adjustments", as in substance they are an integral part of the net investment in a foreign subsidiary.

## **BALANCE SHEET ITEMS**

### **Goodwill**

When an entity is acquired by the Group, the identifiable assets, liabilities, and contingent liabilities of the entity are recognized at their fair value. Any adjustments to provisional values as a result of completing the initial accounting are recognized within twelve months of the acquisition date.

The acquisition cost is the amount of cash and cash equivalents paid to the seller plus any costs directly attributable to the acquisition, such as fees paid to investment banks, attorneys, auditors, independent valuers and other consultants.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired entity. If the cost of the acquisition is less than the fair value of the net identifiable assets, liabilities and contingent liabilities acquired, the difference is recognized directly in the income statement.

Goodwill arising on acquisition of companies accounted for by the equity method is included in "Investments in associates".

### **Other intangible assets**

Other intangible assets primarily include patents, brands, software, and development costs. They are measured at historical cost less accumulated amortization and impairment.

Acquired retail brands and certain manufacturing brands are treated as intangible assets with indefinite useful lives as they have a strong national and/or international reputation. These brands are not amortized but are tested for impairment on an annual basis. Other brands are amortized over their useful lives, not to exceed 40 years.

Costs incurred to develop software in-house – primarily configuration, programming and testing costs – are recognized as intangible assets. Patents and purchased computer software are amortized over their estimated useful lives, not exceeding 20 years for patents and 3 to 5 years for software.

Research costs are expensed as incurred. Development costs meeting the recognition criteria under IAS 38 are included in intangible assets and amortized over their estimated useful lives (not to exceed 5 years) from the date when the products to which they relate are first marketed.

The greenhouse gas emissions allowances granted to the Group have not been recognized as assets in the consolidated financial statements, as IFRIC 3 - Emission Rights has been withdrawn. A provision is recorded in the consolidated financial statements to cover any difference between the Group's emissions and the allowances granted.

### **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 and/or material decline in value, in which case an impairment loss is recorded in the income statement.

## Impairment of assets

Property, plant and equipment, goodwill and other intangible assets are tested for impairment on a regular basis. These tests consist of comparing the asset's carrying amount to its recoverable amount. Recoverable amount is the higher of the asset's fair value less costs to sell and its value in use, calculated by reference to the present value of the future cash flows expected to be derived from the asset.

For property, plant and equipment and amortizable intangible assets, an impairment test is performed whenever revenues from the asset decline or the asset generates operating losses due to either internal or external factors, and no improvement is forecast in the annual budget or the business plan.

For goodwill and other intangible assets (including brands with indefinite useful lives), an impairment test is performed at least annually based on the five-year business plan. Goodwill is reviewed systematically and exhaustively at the level of each cash-generating unit (CGU) and where necessary more detailed tests are carried out. The Group's reporting segments are its five business sectors, which may each include several CGUs. A CGU is a reporting sub-segment, generally defined as a core business of the segment in a given geographical area. It typically reflects the manner in which the Group organizes its business and analyzes its results for internal reporting purposes. In 2008 and 2009, 39 main CGUs were identified and monitored.

Goodwill and brands are allocated mainly to the Gypsum and Industrial Mortars CGUs and to the Building Distribution CGUs primarily in the United Kingdom, France and Scandinavia.

The method used for these impairment tests is consistent with that employed by the Group for the valuation of companies acquired in business combinations or acquisitions of equity interests. The carrying amount of the CGUs is compared to their value in use, corresponding to the present value of future cash flows excluding interest but including tax. Cash flows for the fifth year of the business plan are rolled forward over the following two years and 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 is used). The discount rate applied to these cash flows corresponds to the Group's cost of capital (7.5% in 2008 and 2009), plus a country risk premium where appropriate depending on the geographic area concerned, bringing the discount rate up to 10%.

The recoverable amount calculated using a post-tax discount rate gives the same result as a pre-tax rate applied to pre-tax cash flows.

Different assumptions measuring the method's sensitivity are systematically tested using the following parameters:

- 1-point increase or decrease in the annual average rate of growth in cash flows projected to perpetuity;
- 0.5-point increase or decrease in the discount rate applied to cash flows.

When the annual impairment test reveals that the value in use of an asset (or goodwill) is lower than its carrying amount, if the asset's fair value less costs to sell is also lower than the carrying amount an impairment loss is recorded to reduce the carrying amount of the asset or goodwill to its recoverable amount.

Overall, impairment tests carried out in first-half 2009 did not reveal any major impairments, although for recent acquisitions – primarily the Gypsum business in the United States – the worsening economic environment has created a degree of uncertainty regarding projected cash flows and the resulting valuations.

Based on the latest projections, a 0.5-point unfavorable change in projected average growth in cash flows to perpetuity for all the CGUs would result in an impairment loss on consolidated intangible assets of less than €150 million, while a 0.5-point reduction in the discount rate compared with the 7.5% rate applied at June 30, 2009 (and December 31, 2008) would increase discounted future cash flows from these assets alone by more than €400 million.

Impairment losses on goodwill can never be reversed through income. For property, plant and equipment and other intangible assets, an impairment loss recognized in a prior period may be reversed if there is an indication that the impairment no longer exists and that the recoverable amount of the asset concerned exceeds its carrying amount.

### **Inventories**

Inventories are stated at the lower of cost and net realizable value. The cost of inventories includes the costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. It is generally determined using the weighted-average cost method, and in some cases the First-In-First-Out (FIFO) method. Cost of inventories may also include the transfer from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of raw materials. Net realizable value is the selling price in the ordinary course of business, less estimated costs to completion and costs to sell.

### **Operating receivables and payables**

Operating receivables and payables are stated at nominal value as they generally have maturities of under three months. Provisions for impairment are established to cover the risk of total or partial non-recovery.

For trade receivables transferred under securitization programs, the contracts concerned are analyzed and if substantially all the risks associated with the receivables are not transferred to the financing institutions, they remain in the balance sheet and a corresponding liability is recognized in short-term debt.

### **Net debt**

- *Long-term debt*

Long-term debt includes bonds, Medium Term Notes, perpetual bonds, participating securities and all other types of long-term financial liabilities including lease liabilities and the fair value of derivatives qualifying as interest rate hedges.

Under IAS 32, the distinction between financial liabilities and equity is based on the substance of the contracts concerned rather than their legal form. As a result, participating securities are classified as debt and not as quasi-equity. At the balance sheet date, long-term debt is measured at amortized cost. Premiums and issuance costs are amortized using the effective interest method.

- *Short-term debt*

Short-term debt includes the current portion of the long-term debt described above, short-term financing programs such as Commercial Paper or “*Billets de Trésorerie*” (French Commercial Paper), bank overdrafts and other short-term bank borrowings, as well as the fair value of credit derivatives not qualifying for hedge accounting. At the balance sheet date, short-term debt is measured at amortized cost. Premiums and issuance costs are amortized using the effective interest method.

- *Cash and cash equivalents*

Cash and cash equivalents mainly consist of cash on hand, bank accounts, and marketable securities that are short-term, highly liquid investments readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Marketable securities are measured at fair value through profit or loss.

Further details about long- and short-term debt are provided in Note 11.

### **Foreign exchange, interest rate and commodity derivatives (swaps, options, futures)**

The Group uses interest rate, foreign exchange and commodity derivatives to hedge its exposure to changes in interest rates, exchange rates and commodity prices that may arise in the normal course of business.

In accordance with IAS 32 and IAS 39, all of these instruments are recognized in the balance sheet and measured at fair value, irrespective of whether or not they are part of a hedging relationship that qualifies for hedge accounting under IAS 39.

Changes in the fair value of both derivatives that are designated and qualify as fair value hedges and derivatives that do not qualify for hedge accounting are taken to the income statement (in business income for foreign exchange and commodity derivatives qualifying for hedge accounting, and in net financial expense for all other derivatives). However, in the case of derivatives that qualify as cash flow hedges, the effective portion of the gain or loss arising from changes in fair value is recognized directly in equity, and only the ineffective portion is recognized in the income statement.

- *Fair value hedges*

Most interest rate derivatives used by the Group to swap fixed rates for variable rates are designated and qualify as fair value hedges. These derivatives hedge fixed-rate debts exposed to a fair value risk. In accordance with hedge accounting principles, debt included in designated fair value hedging relationships is remeasured at fair value. As the effective portion of the gain or loss on the fair value hedge offsets the loss or gain on the underlying hedged item, the income statement is only impacted by the ineffective portion of the hedge.

- *Cash flow hedges*

Cash flow hedge accounting is applied by the Group mainly for derivatives used to fix the cost of future investments in financial assets or property, plant and equipment, future purchases of gas and fuel oil (fixed-for-variable price swaps) and future purchases of foreign currencies (forward contracts). The transactions hedged by these instruments are qualified as highly probable. The application of cash flow hedge accounting allows the Group to defer the impact on the income statement of the effective portion of changes in the fair value of these instruments by recording them in a special hedging reserve in equity. The reserve is reclassified into the income statement when the hedged transaction occurs and the hedged item affects income. In the same way as for fair value hedges, cash flow hedging limits the Group's exposure to changes in the fair value of these price swaps to the ineffective portion of the hedge.

- *Derivatives that do not qualify for hedge accounting*

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized in the income statement. The instruments concerned mainly include cross-currency swaps; gas, currency and interest rate options; currency swaps; and futures and forward contracts.

### **Fair value of financial instruments**

The fair value of financial assets and financial liabilities quoted in an active market corresponds to their quoted price. The fair value of financial assets and financial liabilities not quoted in an active market is established by a recognized valuation technique such as reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analysis based on observable market data.

The fair value of short-term financial assets and liabilities is considered as being the same as their carrying amount due to their short maturities.

### **Employee benefits – defined benefit plans**

After retirement, the Group's former employees are eligible for pension benefits in accordance with the applicable laws and regulations in the respective countries in which the Group operates. There are also additional pension obligations in certain Group companies, both in France and other countries.

In France, employees receive length-of-service awards on retirement based on years of service and the calculation methods prescribed in the applicable collective bargaining agreements.

The Group's obligation for the payment of pensions and length-of-service awards is determined at the balance sheet date by independent actuaries, using a method that takes into account projected final salaries at retirement and economic conditions in each country. These obligations may be financed by pension funds, with a provision recognized in the balance sheet for the unfunded portion.

The effect of any plan amendments (past service cost) is recognized on a straight-line basis over the remaining vesting period, or immediately if the benefits are already vested.

Actuarial gains or losses reflect year-on-year changes in the actuarial assumptions used to measure the Group's obligations and plan assets, experience adjustments (differences between the actuarial assumptions and what has actually occurred), and changes in legislation. They are recognized in equity as they occur.

In the United States, Spain and Germany, retired employees receive benefits other than pensions, mainly concerning healthcare. The Group's obligation under these plans is determined using an actuarial method and is covered by a provision recorded in the balance sheet.

Provisions are also set aside on an actuarial basis for other employee benefits, such as jubilees or other long-service awards, deferred compensation, specific welfare benefits, and termination benefits in various countries. Any actuarial gains and losses relating to these benefits are recognized immediately.

The Group has elected to recognize the interest costs for these obligations and the expected return on plan assets as financial expense or income.

#### **Employee benefits – defined contribution plans**

Contributions to defined contribution plans are expensed as incurred.

#### **Employee benefits – share-based payments**

At the IFRS transition date (January 1, 2004) the Saint-Gobain Group elected to apply IFRS 2 to its November 20, 2002 stock option plan and all subsequent plans.

The cost of stock option plans is calculated using the Black & Scholes option pricing model, based on the following parameters:

- Volatility assumptions that take into account the historical volatility of the share price over a rolling 10-year period, as well as implied volatility from traded share options. Periods during which the share price was extraordinarily volatile are disregarded.
- Assumptions relating to the average holding period of options, based on observed behavior of option holders.
- Expected dividends, as estimated on the basis of historical information dating back to 1988.
- A risk-free interest rate corresponding to the yield on long-term government bonds.

The cost calculated using this method is recognized in the income statement over the vesting period of the options, ranging from three to four years.

For options exercised for new shares, the sum received by the Company when the options are exercised is recorded in "Capital stock" for the portion representing the par value of the shares, with the balance – net of directly attributable transaction costs – recorded under "Additional paid-in capital".



The method used by Saint-Gobain to calculate the costs of its Group Savings Plan takes into account the fact that shares granted to employees under the plan are subject to a five- or ten-year lock-up. The lock-up cost is measured and deducted from the 20% discount granted by the Group on employee share awards. The calculation parameters are defined as follows:

- The exercise price, as set by the Board of Directors, corresponds to the average of the opening share prices quoted over the 20 trading days preceding the date of grant, less a 20% discount.
- The grant date of the options is the date on which the plan is announced to employees. For Saint-Gobain, this is the date when the plan's terms and conditions are announced on the Group's intranet.
- The interest rate used to estimate the cost of the lock-up feature of employee share awards is the rate that would be charged by a bank to an individual with an average risk profile for a general purpose five- or ten-year consumer loan repayable at maturity.

In 2008 and 2007, Saint-Gobain set up a leveraged Group Savings Plan. This plan offers a 15% discount and allows participating employees to receive, at maturity and for each share subscribed, a capital gain equivalent to the gain on ten shares over the period. The plan costs are calculated under IFRS 2 in the same way as for the non-leveraged plan, but also take into account the advantage accruing to employees who have access to share prices with a volatility profile adapted to institutional investors.

The Savings Plan costs were recognized in full at the end of the subscription period, during the first half of the year.

### **Shareholders' 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 period*

Retained earnings and net income for the period 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 income and expense includes borrowing and other financing costs, income from cash and cash equivalents, interest cost for pension and other post-employment benefit plans, net of the return on plan assets, and other financial income and expense.

### **Income tax**

Current income tax is the estimated amount of tax payable in respect of income for a given period, calculated by reference to the tax rates that have been enacted or substantively enacted at the balance sheet date, plus any adjustments to current taxes recorded in previous financial periods.

Deferred taxes are recorded using the balance sheet liability method for temporary differences between the carrying amount of assets and liabilities and their tax basis. Deferred tax assets and liabilities are measured at the tax rates expected to apply to the period when the asset is realized or the liability settled, based on the tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognized only if it is considered probable that there will be sufficient future taxable income against which the temporary difference can be utilized. They are reviewed at each balance sheet date and written down to the extent that it is no longer probable that there will be sufficient taxable income against which the temporary difference can be utilized.

No provision is made in respect of tax on undistributed earnings of subsidiaries that are not intended to be distributed.

In accordance with interpretation SIC 21, a deferred tax liability is recognized for brands acquired in a business combination.

Deferred taxes are recognized as income or expense in the income statement, except if they relate to items that are recognized directly in equity, in which case the deferred tax is also recognized in equity.

### **Earnings per share**

Basic earnings per share are calculated by dividing net income by the average number of shares in issue during the period, excluding treasury stock.

Diluted earnings per share are calculated by adjusting earnings per share (see Note 17) 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 16.

### **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.

### **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 16.

### **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 and losses and non-recurring provisions is explained in Note 16.

### **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**

<b>First-half 2009</b>	<b>France</b>	<b>Outside France</b>	<b>Total</b>
<b><u>FULLY CONSOLIDATED COMPANIES</u></b>			
At January 1	208	1,127	1,335
Newly consolidated companies	8	36	44
Merged companies	(10)	(105)	(115)
Deconsolidated companies		(3)	(3)
Change in consolidation method			0
<b>At June 30</b>	<b>206</b>	<b>1,055</b>	<b>1,261</b>
<b><u>PROPORTIONATELY CONSOLIDATED COMPANIES</u></b>			
At January 1	2	20	22
Newly consolidated companies		2	2
Deconsolidated companies			0
Change in consolidation method			0
<b>At June 30</b>	<b>2</b>	<b>22</b>	<b>24</b>
<b><u>COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD</u></b>			
At January 1	7	63	70
Newly consolidated companies			0
Merged companies		(1)	(1)
Deconsolidated companies		(4)	(4)
Change in consolidation method			0
<b>At June 30</b>	<b>7</b>	<b>58</b>	<b>65</b>
<b>TOTAL at June 30</b>	<b>215</b>	<b>1,135</b>	<b>1,350</b>

## Significant changes in Group structure

### *First-half 2009*

No material acquisitions were made in first-half 2009, and the allocation of the Maxit acquisition price was completed during the period, within the 12 months following the March 2008 acquisition of this business. Brands were recognized 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 €559 million in assumed net debt.

Maxit was fully consolidated from March 1, 2008, within the Industrial Mortars division, contributing €1,019 million to consolidated net sales for the year including €437 million in the first half.

The provisional allocation of the acquisition price to the identifiable assets and liabilities acquired at December 31, 2008 led to positive fair value adjustments to inventories for €13 million and to property, plant and equipment for €48 million, negative fair value adjustments to non-current financial assets of €11 million, and a €19 million increase before tax in liabilities and contingent liabilities. Goodwill arising on the business combination was provisionally estimated at €1,539 million at December 31, 2008.

In 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.

## NOTE 3 – GOODWILL

<i>(in € millions)</i>	<b>First-half 2009</b>
<b>At January 1, 2009</b>	
Gross value	10,924
Accumulated impairment	(253)
<b>Net</b>	<b>10,671</b>
<b>Movements during the period</b>	
Changes in Group structure	99
Impairment	(10)
Translation adjustments	230
<b>Total</b>	<b>319</b>
<b>At June 30, 2009</b>	
Gross value	11,252
Accumulated impairment	(262)
<b>Net</b>	<b>10,990</b>

**NOTE 4 – PROPERTY, PLANT AND EQUIPMENT**

	Land and quarries	Buildings	Machinery and equipment	Assets under construction	Total
<i>(in € millions)</i>					
<b>At January 1, 2009</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 period</b>					
Changes in Group structure and reclassifications	19	4	20	2	45
Acquisitions	16	22	96	392	526
Disposals	(9)	(8)	(11)	(2)	(30)
Translation adjustments	17	44	66	15	142
Depreciation and impairment	(15)	(145)	(578)	(15)	(753)
Transfers	0	154	342	(496)	0
<b>Total</b>	<b>28</b>	<b>71</b>	<b>(65)</b>	<b>(104)</b>	<b>(70)</b>
<b>At June 30, 2009</b>					
Gross value	2,157	7,792	19,453	1,311	30,713
Accumulated depreciation and impairment	(335)	(3,933)	(13,122)	(19)	(17,409)
<b>Net</b>	<b>1,822</b>	<b>3,859</b>	<b>6,331</b>	<b>1,292</b>	<b>13,304</b>

Acquisitions of property, plant and equipment during first-half 2009 included assets acquired under finance leases for an amount of €12 million (2008: €14 million). These finance leases are not included in the cash flow statement, in accordance with IAS 7. At June 30, 2009, total property, plant and equipment acquired under finance leases amounted to €179 million (December 31, 2008: €201 million) (see Note 18).

**NOTE 5 – INVENTORIES**

<i>(in € millions)</i>	<b>June 30, 2009</b>	<b>December 31, 2008</b>
<b>Gross value</b>		
Raw materials	1,439	1,491
Work in progress	266	274
Finished goods	4,724	4,754
<b>Gross inventories</b>	<b>6,429</b>	<b>6,519</b>
<b>Provisions for impairment in value</b>		
Raw materials	(106)	(97)
Work in progress	(7)	(7)
Finished goods	(330)	(302)
<b>Provisions for impairment in value</b>	<b>(443)</b>	<b>(406)</b>
<b>Net</b>	<b>5,986</b>	<b>6,113</b>

In first-half 2009, cost of sales came to €14,309 million (first-half 2008: €16,428 million).



**NOTE 6 – TRADE AND OTHER ACCOUNTS RECEIVABLE AND PAYABLE**

<i>(in € millions)</i>	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Gross value	6,571	6,084
Provisions for impairment in value	(482)	(437)
<b>Trade accounts receivable</b>	<b>6,089</b>	<b>5,647</b>
Advances to suppliers	386	561
Prepaid payroll taxes	41	26
Other prepaid and recoverable taxes (other than income tax)	352	356
Other receivables	512	489
Provisions for impairment in value	(8)	(8)
<b>Total other receivables</b>	<b>1,283</b>	<b>1,424</b>
<b>Trade payables</b>	<b>5,204</b>	<b>5,613</b>
Customer deposits	571	641
Payable to suppliers of non-current assets	160	400
Grants received	62	63
Accrued personnel expenses	1,001	1,022
Accrued taxes other than on income	570	421
Other	856	843
<b>Total other payables and accrued expenses</b>	<b>3,220</b>	<b>3,390</b>

**NOTE 7 – PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS**

<i>(in € millions)</i>	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Pensions	1,821	1,681
Length-of-service awards	208	207
Post-employment healthcare benefits	366	367
<b>Total provisions for pensions and other post-employment benefit obligations</b>	<b>2,395</b>	<b>2,255</b>
Healthcare benefits	47	50
Long-term disability benefits	37	38
Other long-term benefits	96	100
<b>Provisions for pensions and other employee benefits</b>	<b>2,575</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:

<i>(in € millions)</i>	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Projected benefit obligations	2,395	2,255
Plan assets	147	206
<b>Net projected benefit obligations</b>	<b>2,248</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 €180 million at June 30, 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.

**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 totalled €172 million in 2008.

**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 at December 31, 2008 and first-half 2009 in the countries with the main plans were as follows:

<i>(in %)</i>	<b>France</b>	<b>Other European countries</b>		<b>United States</b>
		<b>Euro zone</b>	<b>United Kingdom</b>	
Discount rate	6.25%	6.25%	6.35%	6.25%
Salary increases	2.40%	2.75% to 3.25%	4,20% to 4,50%	3.00%
Expected return on plan assets	5.00%	3.50% to 5.25%	6.25%	8.75%
Inflation rate	2.00%	1.90% to 2.75%	2.75%	2.00%

In light of the increase in interest rates, the discount rates used to calculate pension obligations were adjusted at June 30, 2009 to 5.75% for the euro zone, 6.20% for the United Kingdom and 6.50% for the United States. Pension obligations in the Group's major host countries were therefore adjusted using these new discount rates. The adjustments concerned the euro zone, the United States and the United Kingdom, which represent around 95% of the Group's total obligations. They resulted in a €103 million increase in pension obligations during the period (€110 million converted at the period-end exchange rate). Inflation rate assumptions were not adjusted at June 30, 2009.

Sensitivity calculations were not updated at June 30, 2009; if they had been, the results would have been similar to the analyses presented in the 2008 Annual report (in Note 13 to the consolidated financial statements).

Expected rates of return on plan assets are estimated by country and by plan, taking into account the different classes of assets held by the plan and the outlook in the various financial markets. The markets' poor performance in first-half 2009 severely affected the overall actual return on plan assets, compared with the expected return of €167 million. The adjusted return had a €270 million impact on net pension obligations during the period (€275 million converted at the period-end exchange rate).

### **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, as well as changes in the asset ceiling (see Note 1). As a result, deferred actuarial gains and losses now relate only to the effects of plan adjustments (past service cost).

### **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" provided that it corresponds to future economic benefits. If no future economic benefits are available, the plan surplus is reduced by applying the asset ceiling and adjusting equity. In first-half 2009, changes in the asset ceiling led to a €128 million reduction in net pension obligations during the period (€134 million converted at the period-end exchange rate).

### **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 totalled €58 million at June 30, 2009 (December 31, 2008: €85 million).

**Movements in provisions for pensions and other post-employment benefit obligations, excluding other employee benefits**

<i>(in € millions)</i>	<b>Projected benefit obligation</b>
<b>At January 1, 2009</b>	
<b>Projected benefit obligation</b>	<b>2,049</b>
<b>Movements during the period</b>	
Service cost	67
Interest cost	43
Actuarial gains and losses recognized during the period*	245
Contributions to plan assets and benefit payments	(145)
Changes in Group structure	2
Other	(13)
<b>Total</b>	<b>199</b>
<b>At June 30, 2009</b>	
<b>Projected benefit obligation</b>	<b>2,248</b>

\* The overall impact of actuarial gains and losses on equity is a decrease of €245 million before tax (€171 million after tax), corresponding to (i) a €373 million decrease attributable to adjustments to discount rates and the fair value of pension plan assets and (ii) a €128 million increase resulting from an upward adjustment of the asset ceiling.

**NOTE 8 – CURRENT AND DEFERRED TAXES**

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

<i>(in € millions)</i>	<b>First-half 2009</b>	<b>First-half 2008</b>
Net income	138	1,108
less:		
Share in net income of associates	2	7
Income taxes	(53)	(444)
<b>Pre-tax income of consolidated companies</b>	<b>189</b>	<b>1,545</b>

Income tax expense breaks down as follows:

<i>(in € millions)</i>	<b>First-half 2009</b>	<b>First-half 2008</b>
<b>Current taxes</b>	<b>(208)</b>	<b>(489)</b>
France	5	(106)
Outside France	(213)	(383)
<b>Deferred taxes</b>	<b>155</b>	<b>45</b>
France	(16)	(19)
Outside France	171	64
<b>Total income tax expense</b>	<b>(53)</b>	<b>(444)</b>

The effective tax rate breaks down as follows:

<i>(in %)</i>	<b>First-half 2009</b>	<b>First-half 2008</b>
Tax rate in France	34.4	34.4
Impact of tax rates outside France	1.6	(4.6)
Taxable capital gains	6.3	0.2
Valuation allowance on deferred tax assets	(7.4)	(1.0)
Effect on deferred taxes of change in tax rate	(0.1)	
Research tax credit	(3.7)	(0.3)
Other deferred and miscellaneous taxes	(3.1)	
<b>Effective tax rate</b>	<b>28.0</b>	<b>28.7</b>

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

<i>(in € millions)</i>	<b>Net deferred tax liability</b>
<b>At January 1, 2009</b>	<b>623</b>
Deferred tax expense/(benefit)	(155)
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (note 7)	(74)
Translation adjustments	43
Impact of changes in Group structure and other	30
<b>At June 30, 2009</b>	<b>467</b>

The table below shows the principal components of net deferred tax liabilities:

<i>(in € millions)</i>	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Deferred tax assets	658	507
Deferred tax liabilities	(1,125)	(1,130)
<b>Net deferred tax liability</b>	<b>(467)</b>	<b>(623)</b>
Pensions	710	561
Brands	(809)	(781)
Depreciation & amortization, accelerated capital allowances and untaxed provisions	(1,031)	(992)
Tax loss carryforwards	231	140
Other	432	449
<b>Total</b>	<b>(467)</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 €658 million were recognized at June 30, 2009 (December 31, 2008: €507 million), including €470 million in the United States. Deferred tax liabilities recognized at June 30, 2009 amounted to €1,125 million (December 31, 2008: €1,130 million), including €454 million in France and €281 million in the United Kingdom. Deferred tax liabilities recognized in other countries represented considerably smaller amounts.

Deferred tax assets whose recovery is not considered probable totalled €169 million at June 30, 2009 and €175 million at December 31, 2008.

**NOTE 9 – OTHER CURRENT AND NON-CURRENT LIABILITIES AND PROVISIONS**

<i>(in € millions)</i>	Provision for claims and litigation	Provision for environment al risks	Provision for restructuring costs	Provisions for personnel costs	Provisions for customer warranties	Provisions for other contingencie s	Investment- related liabilities	<b>Total</b>
<b>At January 1, 2009</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 period</b>								
Additions	53	3	109	16	27	21		229
Reversals	0	(2)	(6)	(8)	(5)	(13)		(34)
Utilizations	(30)	(4)	(61)	(11)	(16)	(1)		(123)
Changes in Group structure	0	7	1	0	0	7	42	57
Other (reclassifications and translation adjustments)	(7)	2	(9)	1	(2)	87	(2)	70
<b>Total</b>	<b>16</b>	<b>6</b>	<b>34</b>	<b>(2)</b>	<b>4</b>	<b>101</b>	<b>40</b>	<b>199</b>
<b>At June 30, 2009</b>								
Current portion	93	32	86	32	81	126	28	478
Non-current portion	1,259	132	89	42	151	327	131	2,131
<b>Total</b>	<b>1,352</b>	<b>164</b>	<b>175</b>	<b>74</b>	<b>232</b>	<b>453</b>	<b>159</b>	<b>2,609</b>

**Provisions for claims and litigation**

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 20.

**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 €175 million at June 30, 2009 (December 31, 2008: €141 million), including net additions of €103 million during the period. The provisions primarily concern Benelux (€47 million), Germany (€39 million), the United Kingdom (€27 million) and Italy (€22 million).

**Provisions for personnel costs**

These provisions primarily cover indemnities due to employees that are unrelated to the Group's reorganization plans.

**Provisions for customer warranties**

These provisions cover the Group's commitments under the warranties granted to customers.

**Provisions for other contingencies**

At June 30, 2009, provisions for other contingencies amounted to €453 million and mainly concerned France (€109 million), the United States (€89 million), Germany (€73 million), Latin America (€37 million), the United Kingdom (€34 million) and Italy (€29 million).

**Investment-related liabilities**

In first-half 2009, changes in investment-related liabilities primarily concerned additional purchase consideration and deferred payments on acquisitions.



**NOTE 10 – NET DEBT****Long- and short-term debt**

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

<i>(in € millions)</i>	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Bond issues and Medium Term Notes	8,209	7,604
Perpetual bonds and participating securities	203	203
Acquisition financing from banks	0	2,034
Other long-term debt including lease liabilities	265	320
Debt measured using the fair value option	155	157
Fair value of interest rate hedges	70	47
<b>Total long-term debt (excluding current portion)</b>	<b>8,902</b>	<b>10,365</b>
o/w long-term portion of accrued interest	1	1
<b>o/w long-term portion of accrued interest</b>	<b>2,760</b>	<b>1,364</b>
Short-term financing programs (US CP, Euro CP and Billets de Trésorerie)	120	690
Bank overdrafts and other short-term bank borrowings	907	798
Securitization debt	315	462
Fair value of derivatives not qualifying for hedge accounting	(5)	(63)
<b>Short-term debt and bank overdrafts</b>	<b>1,337</b>	<b>1,887</b>
<b>TOTAL DEBT</b>	<b>12,999</b>	<b>13,616</b>
Cash and cash equivalents	(2,109)	(1,937)
<b>TOTAL NET DEBT INCLUDING ACCRUED INTEREST</b>	<b>10,890</b>	<b>11,679</b>

The fair value of long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounted to €11 billion at June 30, 2009, for a carrying amount of €11 billion.

## Long-term debt repayment schedule

Long-term debt at June 30, 2009 can be analyzed as follows by maturity:

<i>(in € millions)</i>	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues and Medium Term Notes	EUR	2,387	4,333	3,135	9,855
	GBP	0	0	702	702
	Other	0	39	0	39
Perpetual bonds and participating securities	EUR	0	0	203	203
Acquisition financing from banks	EUR	0	0	0	0
Other long-term debt including lease liabilities	All currencies	159	188	76	423
Debt measured using the fair value option	EUR	0	155	0	155
Fair value of interest rate hedges	EUR	0	68	2	70
<b>TOTAL, EXCLUDING ACCRUED INTEREST</b>		<b>2,546</b>	<b>4,783</b>	<b>4,118</b>	<b>11,447</b>

At June 30, 2009, future interest payments on long-term debt (including the current portion) managed by Compagnie de Saint-Gobain were due as follows:

<i>(in € millions)</i>	Within 1 year	1 to 5 years	Beyond 5 years	Total
Future interest payments on long-term debt	604	1,711	641	2,956
<b>TOTAL, EXCLUDING ACCRUED INTEREST</b>	<b>604</b>	<b>1,711</b>	<b>641</b>	<b>2,956</b>

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

## Bond issues

In first-half 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

## 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 June 30, 2009, 18,496 perpetual bonds had been bought back and cancelled, and 6,504 perpetual bonds were outstanding, representing a total face value of €33 million.

## Participating securities

In the 1980s, Compagnie de Saint-Gobain issued 1,288,299 non-voting participating securities indexed to the average bond rate (TMO) and 194,633 non-voting participating securities indexed to Euribor (minimum). These securities are not redeemable and the interest paid on them is reported under “Borrowing costs”.

Some of these securities have since been bought back on the market. At June 30, 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.

Net interest paid on participating securities for first-half 2009 came to €5.3 million, compared to €5.4 million in first-half 2008.

## 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 June 30, 2009, issuance under these programs was as follows:

Programs (in millions of currency units)	Currency	Maturities	Authorized program at June 30, 2009	Outstanding issues at June 30, 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 *	-	-
Euro Commercial Paper	USD	Up to 12 months	1,000 *	-	-
<i>Billets de Trésorerie</i>	EUR	Up to 12 months	3,000	120	690

\* Equivalent to €707.5 million based on the exchange rate at June 30, 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 and a €100 million bilateral credit line expiring in December 2009.

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.

The facility agreement includes a covenant stipulating that the Group's net debt/EBITDA ratio, as measured annually at December 31, must at all times represent less than 3.75.

None of these confirmed lines of credit were drawn down at June 30, 2009.

The other confirmed lines of credit held by the Group at December 31, 2008 were cancelled during first-half 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.
- Six bilateral lines of credit for a total of €580 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 June 30, 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 €2.5 million in first-half 2009 (first-half 2008: €6.5 million).

The UK program amounted to €159 million at June 30, 2009 (€187 million at December 31, 2008), and the financial expense came to €1.6 million in the first half of 2009 (first-half 2008: €6.7 million).

### **Collateral**

At June 30, 2009, €38 million of Group debt was secured by various non-current assets (real estate and securities).

**NOTE 11 - FINANCIAL INSTRUMENTS****Derivatives**

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

(in € millions)	Fair value at June 30, 2009			Fair value at December 31, 2008	Notional amount by maturity at June 30, 2009			
	Derivatives with a positive fair value (assets)	Derivatives with a negative fair value (liabilities)	Total		Within 1 year	1 to 5 years	Beyond 5 years	Total
<b>Fair value hedges</b>								
Interest rate swaps	0	(2)	(2)	0	0	0	700	700
<b>Fair value hedges - total</b>	<b>0</b>	<b>(2)</b>	<b>(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>700</b>	<b>700</b>
<b>Cash flow hedges</b>								
Forward currency contracts	2	(5)	(3)	(23)	187	1	0	188
Currency swaps	0	0	0	(3)	39	0	0	39
Currency options	1	(1)	0	1	21	8	0	29
Interest rate swaps	0	(68)	(68)	(47)	0	1250	0	1,250
Commodity swaps	2	(45)	(43)	(84)	151	47	0	198
<b>Cash flow hedges - total</b>	<b>5</b>	<b>(119)</b>	<b>(114)</b>	<b>(156)</b>	<b>398</b>	<b>1,306</b>	<b>0</b>	<b>1,704</b>
<b>Derivatives not qualifying for hedge accounting</b>								
Interest rate swaps	1	0	1	2	0	155	0	155
Cross-currency swaps	0	0	0	0	0	0	0	0
Currency swaps	16	(12)	4	64	2,016	12	0	2,028
Forward foreign exchange contracts	1	(2)	(1)	2	18	0	0	18
<b>Derivatives not qualifying for hedge accounting - total</b>	<b>18</b>	<b>(14)</b>	<b>4</b>	<b>68</b>	<b>2,034</b>	<b>167</b>	<b>0</b>	<b>2,201</b>
<b>TOTAL</b>	<b>23</b>	<b>(135)</b>	<b>(112)</b>	<b>(88)</b>	<b>2,432</b>	<b>1,473</b>	<b>700</b>	<b>4,605</b>
o/w derivatives used to hedge net debt	17	(82)	(65)	16	0	0	0	0

➤ Interest rate swaps

The Group uses interest rate swaps to convert part of its fixed (variable) rate bank debt and bond debt to variable (fixed) rates.

➤ Currency swaps

The Group uses currency swaps for day-to-day cash management purposes and, in some cases, to permit the use of euro-denominated funds to finance foreign currency assets.

➤ Currency options and forward foreign exchange contracts

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

➤ Commodity and other swaps

Commodity and other swaps are used to hedge the risk of changes in the price of certain purchases used in the subsidiaries' operating activities, particularly heavy fuel oil purchases in Europe and natural gas purchases in the United States or certain European countries.

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

At June 30, 2009, the cash flow hedging reserve carried in equity in accordance with IFRS had a debit balance of €118 million, breaking down as follows:

- €68 million unrealized gain corresponding to the remeasurement at fair value of interest rate swaps designated as cash flow hedges of interest on the April 2007 bond issue.
- €46 million unrealized gain corresponding to the remeasurement at fair value of hedges of natural gas and fuel oil purchases, to be reclassified to income when the hedged items affect income.

The ineffective portion of gains and losses on cash flow hedges is not material.

### Impact on income of financial instruments not qualifying for hedge accounting

The fair value of derivatives classified as financial assets and liabilities at fair value through profit or loss amounted to €4 million at June 30, 2009 (June 30, 2008: €14 million).

### Embedded derivatives

Saint-Gobain regularly analyzes its contracts in order to separately identify financial instruments classified as embedded derivatives under IFRS. At June 30, 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 both June 30, 2009 and December 31, 2008.

The average internal rates of return for the main components of long-term debt before hedging were as follows at both June 30, 2009 and December 31, 2008:

<b>Internal rate of return on long-term debt (in %)</b>	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Bonds and Medium Term Notes	5.38%	4.96%
Perpetual bonds and participating securities	5.11%	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 net debt at June 30, 2009, after giving effect to interest rate swaps and currency swaps.

<b>Net debt</b> <i>(in € millions)</i>	<b>After hedging</b>		<b>Total</b>
	<b>Variable rate</b>	<b>Fixed rate</b>	
EUR	(673)	9,334	8,661
GBP	217	702	919
USD	425	6	431
SEK and NOK	393	5	398
Other currencies	25	171	196
<b>TOTAL</b>	<b>387</b>	<b>10,218</b>	<b>10,605</b>
	4%	96%	100%
Fair value of related derivatives			65
Accrued interest			220
<b>TOTAL NET DEBT</b>			<b>10,890</b>

#### Interest rate repricing schedule for financial assets and debt

The table below shows the interest rate repricing schedule at June 30, 2009 for debt and financial assets after hedging:

<i>(in € millions)</i>	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>Beyond 5 years</b>	<b>Total</b>
Gross debt	4,168	4,715	4,116	12,999
Impact of interest rate swaps	(550)	1,250	(700)	0
Cash and cash equivalents	(2,109)			(2,109)
<b>NET DEBT AFTER HEDGING</b>	<b>1,509</b>	<b>5,965</b>	<b>3,416</b>	<b>10,890</b>

**NOTE 12 – BUSINESS INCOME BY EXPENSE TYPE**

<i>(in € millions)</i>	<b>First-half 2009</b>	<b>First-half 2008</b>
<b>Net sales</b>	<b>18,715</b>	<b>22,141</b>
Personnel costs:		
Salaries and payroll taxes	(3,859)	(4,020)
Share-based payments <sup>(a)</sup>	(24)	(37)
Pensions	(78)	(88)
Depreciation and amortization	(756)	(740)
Other <sup>(b)</sup>	(13,068)	(15,251)
<b>Operating income</b>	<b>930</b>	<b>2,005</b>
Gains on disposals of assets <sup>(c)</sup>	2	12
Negative goodwill recognized in income	0	0
<b>Other business income</b>	<b>2</b>	<b>12</b>
Restructuring costs <sup>(d)</sup>	(189)	(41)
Provisions and expenses relating to claims and litigation <sup>(e)</sup>	(52)	(34)
Impairment of assets <sup>(f)</sup>	(67)	(43)
Other	(23)	(2)
<b>Other business expense</b>	<b>(331)</b>	<b>(120)</b>
<b>Business income</b>	<b>601</b>	<b>1,897</b>

(a) The cost of share-based payments under the Group Savings Plan amounted to €7 million in first-half 2009 (2008: €17 million) (see Notes 13 and 14). This cost was recognized in full at the end of the offer period, on April 10, 2009.

(b) This corresponds to the cost of goods sold by the Building Distribution Sector and transport costs, raw materials costs, and other production costs for the other Sectors. It also includes net foreign exchange gains or losses, representing a net loss of €20 million in first-half 2009 (first-half 2008: net gain of €12 million).

In the first half of 2009, research and development costs recorded under operating expenses amounted to €200 million (first-half 2008: €193 million).

(c) Gains on disposals of assets totalled €2 million in first-half 2009 (first-half 2008: €12 million)

(d) Restructuring costs in the first half of 2009 mainly consisted of employee termination benefits in an amount of €153 million (first-half 2008: €25 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 9 and 20.



- (f) Impairment losses on assets in first-half 2009 included €10 million on goodwill (first-half 2008: €6 million), €43 million on intangible assets and property, plant and equipment (first-half 2008: €33 million). The balance corresponded to impairment losses on financial assets and current assets.

### NOTE 13 – STOCK OPTION PLANS

Following the March 23, 2009 rights issue, the number of options and the option exercise price were adjusted, as prescribed by article R225-140 of France's Commercial Code. Details of stock options outstanding at June 30, 2009, as adjusted for the rights issue, are as follows:

Grant date	Options exercisable			Options not exercisable		Total options outstanding	Type of options
	Exercise price (in €)	Number of options	Weighted average remaining contractual life (in months)	Exercise price (in €)	Number of options	Number of options	
1999	36.74	358,401	5			358,401	Purchase
2000	34.11	957,315	17			957,315	Purchase
2001	36.37	1,889,511	29			1,889,511	Purchase
2002	21.28	1,308,493	41			1,308,493	Purchase
2003	32.26	2,958,425	53			2,958,425	Subscription
2004	39.39	4,014,816	65	39.39		4,014,816	Subscription
2005	41.34	1,922,568	77	41.34	2,232,012	4,154,580	Subscription
2006	52.53		89	52.53	4,394,914	4,394,914	Subscription
2007	64.72		101	64.72	4,006,133	4,006,133	Subscription
2008	25.88		113	25.88	3,927,514	3,927,514	Subscription or purchase
<b>Total</b>		<b>13,409,529</b>			<b>14,560,573</b>	<b>27,970,102</b>	

### NOTE 14 – GROUP SAVINGS PLAN ("PEG")

The PEG employee stock purchase plan is open to all Group employees in France and in most other countries where the Group does business. Eligible employees must have completed a minimum of three months' service with the Group. The purchase price of the shares, as set by the Chief Executive Officer on behalf of the Board of Directors, corresponds to the average of the opening share prices quoted over the 20 trading days preceding the pricing date.

In first-half 2009, the Group issued 8,498,377 shares with a par value of €4 (2008: 8,272,947 shares) to members of the PEG, for a total of €134 million (2008: €353 million).

In addition to the standard plans, leveraged plans are offered to employees in countries where this is allowed under local law and tax rules.

#### Standard plans

Under the standard plans, eligible employees are offered the opportunity to invest in Saint-Gobain stock at a 20% discount. The stock is subject to a five or ten-year lock-up, except following the occurrence of certain events. The compensation cost recorded in accordance with IFRS 2 is measured by reference to the fair value of a discount offered on restricted stock (i.e. stock subject to a lock-up). The cost of the lock-up for the employee is defined as the cost of a two-step strategy that involves first selling the restricted stock forward five or ten years and then purchasing the same number of shares on the spot market and financing the purchase with debt. The borrowing cost is estimated at the rate that would be charged by a bank to an individual with an average risk profile for a general

purpose five- or ten-year consumer loan repayable at maturity (see Note 1 for details of the calculation).

The standard plan cost recorded in the income statement amounted to €7 million in first-half 2009 (2008: €8.4 million), net of the lock-up cost for employees of €31.2 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 first-half 2009 and 2008.

	<b>First-half 2009</b>	<b>2008</b>
<b>Plan characteristics</b>		
Grant date	March 23	February 22
Plan duration (in years)	5 ou 10	5 ou 10
Benchmark price (in €)	19.74	51.75
Purchase price (in €)	15.80	41.41
Discount (in %)	20.00%	20.00%
Total discount on the grant date (in %)	28.11%	22.05%
Employee investments (€ 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 <b>(1)</b>	7.09%	7.57%
5-year risk-free interest rate	2.73%	3.61%
Repo rate	1.35%	0.25%
Lock-up discount (in %)	22.92%	17.17%
Total cost to the Group (in %) <b>(a-b)</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 the first-half 2009 cost as calculated in accordance with IFRS 2.

### Leveraged plan

Under the leveraged plan introduced in 2008, eligible employees were offered the opportunity to invest in Saint-Gobain stock at a 15% discount. The yield profile of the leveraged plan was different from that of the standard plans, as a third-party bank topped up the employee's initial investment, essentially multiplying by ten the amount paid by the employee. As well as securing the employee's initial investment, the bank's top-up payment served to guarantee the yield earned by employees and provide them with a capital gain per share equivalent to the gain on ten shares over the period.

The plan costs were calculated under IFRS 2 in the same way as for non-leveraged plans (see Note 1), but also took into account the advantage accruing to employees who had 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 plans were set up in first-half 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 €)	51.75
Purchase price (in €)	43.99
Discount (in %)	15.00%
Total discount on the grant date (in %)	17.18%
Employee investments (€ millions)	18.5
Total investment in the plan (€ 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%
Lock-up discount (in %) (3)	15.00%
Opportunity gain (in %)	1.62%
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 15 – NET FINANCIAL EXPENSE

### Breakdown of other financial income and expense

<i>(in € millions)</i>	<b>First-half 2009</b>	<b>First-half 2008</b>
Interest cost - pension and other post-employment benefit obligations	(214)	(214)
Return on plan assets	167	215
<b>Interest cost - pension and other post-employment benefit obligations - net</b>	<b>(47)</b>	<b>1</b>
Other financial expense	(39)	(36)
Other financial income	6	9
<b>Other financial income and expense</b>	<b>(80)</b>	<b>(26)</b>

**NOTE 16 – RECURRING NET INCOME AND CASH FLOW FROM OPERATIONS**

Recurring net income totalled €210 million in first-half 2009 (first-half 2008: €1,101 million). Based on the weighted average number of shares outstanding at June 30 (439,305,156 shares in 2009 and 371,914,226 shares in 2008), recurring earnings per share amounted to €0.48 in first-half 2009 and €2.69 in first-half 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 € millions)</i>	<b>First-half 2009</b>	<b>First-half 2008</b>
<b>Net income</b>	<b>128</b>	<b>1,076</b>
Less:		
Gains on disposals of assets	2	12
Impairment of assets	(67)	(43)
Non-recurring provisions	(32)	0
Impact of minority interests	0	(1)
Tax impact	15	7
<b>Recurring net income</b>	<b>210</b>	<b>1,101</b>

Cash flow from operations for the period amounted to €1,079 million (first-half 2008: €1,894 million). Excluding tax on capital gains and losses and non-recurring provisions, cash flow from operations came to €1,064 million (first-half 2008: €1,887 million).

These amounts are calculated as follows:

<i>(in € millions)</i>	<b>First-half 2009</b>	<b>First-half 2008</b>
<b>Net income attributable to equity holders of the parent</b>	<b>128</b>	<b>1,076</b>
Minority interests in net income	10	32
Share in net income of associates, net of dividends received	0	(3)
Depreciation, amortization and impairment of assets	823	778
Gains and losses on disposals of assets	(2)	(12)
Non-recurring provisions	32	0
Unrealized gains and losses arising from changes in fair value and share-based payments	88	23
<b>Cash flow from operations</b>	<b>1,079</b>	<b>1,894</b>
Tax on capital gains and losses and non-recurring provisions	(15)	(7)
<b>Cash flow from operations before tax on capital gains and losses and non-recurring provisions</b>	<b>1,064</b>	<b>1,887</b>

**NOTE 17 – EARNINGS PER SHARE**

The calculation of earnings per share is shown below.

<i>(in € millions)</i>	<b>Net income attributable to equity holders of the parent</b>	<b>Number of shares</b>	<b>Earnings per share (in €)</b>
<b>First-half 2009</b>			
Weighted average number of shares outstanding	<b>128</b>	439,305,156	<b>0.29</b>
Weighted average number of shares assuming full dilution	<b>128</b>	439,442,257	<b>0.29</b>
<b>First-half 2008</b>			
Weighted average number of shares outstanding	<b>1,076</b>	371,914,226	<b>2.89</b>
Weighted average number of shares assuming full dilution	<b>1,076</b>	374,659,266	<b>2.87</b>

The weighted average number of shares outstanding is calculated by deducting treasury stock (4,854,419 shares at June 30, 2009) from the average number of shares outstanding during the period.

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 137,101 shares in first-half 2009 and 2,745,040 shares in first-half 2008.

## NOTE 18 – COMMITMENTS

The main changes in commitments between December 31, 2008 and June 30, 2009 are described below:

- **Obligations under finance leases**

Future minimum lease payments due under finance leases decreased by €17 million in first-half 2009.

- **Obligations under operating leases**

The Group leases equipment and office, manufacturing and warehouse space under various non-cancellable operating leases. Lease terms generally range from 1 to 9 years. The leases contain rollover options for varying periods of time and some include clauses covering the payment of real estate taxes and insurance. In most cases, management expects that these leases will be rolled over or replaced by other leases in the normal course of business.

In first-half 2009, obligations under operating leases declined by €130 million, reflecting decreases of €53 million for land and buildings, and €77 million for vehicles, machinery and equipment.

- **Non-cancellable purchase commitments**

Non-cancellable purchase commitments include commitments to purchase raw materials and services, including vehicle leasing commitments, and firm orders for property, plant and equipment.

In first-half 2009, non-cancellable purchase commitments fell by €200 million, following capital expenditure mainly by the Construction Products Sector, completion of financial investments by the Building Distribution and Construction Products Sectors, and a reduction in raw materials purchase commitments.

- **Commercial commitments**

Guarantees given to the Group rose €12 million in first-half 2009 to €132 million at June 30, 2009 versus €120 million at December 31, 2008.

## **NOTE 19 – RELATED-PARTY TRANSACTIONS**

### **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 20 – LITIGATION**

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

In France, further individual lawsuits were filed in first-half 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 692 such lawsuits have been issued against the two companies since 1996.

At June 30, 2009, 587 of these 692 lawsuits had been completed in terms of both liability and quantum. In all of these cases, the employers were held liable on the grounds of “inexcusable fault”.

Everite and Saint-Gobain PAM were held liable to pay a total amount of less than €2 million in compensation in settlement of these lawsuits.

Concerning the 105 lawsuits outstanding against Everite and Saint-Gobain PAM at June 30, 2009, the merits of 23 have been decided but the compensation awards have not yet been made, pending issue of medical reports. In all cases, the Social Security authorities were ordered to pay compensation to the victims for procedural reasons (statute of limitations, non-opposability).

Out of the 82 remaining lawsuits, six were dismissed following a claim made to the French Asbestos Victims Compensation Fund (FIVA). At June 30, 2009, the procedures relating to the merits of the other 75 cases were at different stages: 13 were being investigated by the French Social Security authorities, 52 were pending before the Social Security courts, including four FIVA claims, and ten were pending before the Courts of Appeal.

In addition, as of June 30, 2009, 111 suits based on inexcusable fault had been filed by current or former employees of 12 other French companies in the Group, in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.

As of June 30, 2009, five claims had been withdrawn by employees or former employees the decision by the employees concerned to seek compensation from FIVA. In addition, FIVA has lodged three claims to recover the compensation paid to an employee of former employee.

At that date, 69 lawsuits had been completed. In 14 of these cases, the employer was held liable for inexcusable fault, including one where the company concerned was ordered to pay compensation and costs.

For the 34 suits outstanding at June 30, 2009, arguments were being prepared by the French Social Security authorities in five cases, 17 were pending before the Social Security courts, eight before the Courts of Appeal and one before the French Court of Cassation, in one case there have been no developments for at least three years and two suits have been withdrawn.

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

The estimated number of new asbestos-related claims filed against CertainTeed in the United States in the first half of 2009 came to approximately 2,000. On a rolling 12-month basis, new claims decreased to 4,000 at end-June 2009 compared to 5,000 at end-December 2008 and 5,000 at end-June 2008.

Some 3,000 claims were settled out of court in the first six months of 2009.

Some 67,000 claims were outstanding at June 30, 2009 – a slight decrease versus December 31, 2008 (68,000) and December 31, 2007 (74,000).

An additional estimated provision of €37.5 million (USD 50 million) was recorded in the consolidated financial statements for the first half of 2009 in relation to CertainTeed's asbestos claims. As in every year since 2002, a precise assessment of the provision required for the full year will be performed at the year-end.

Total compensation paid during the twelve-month period ending June 30, 2009 for claims against CertainTeed (including claims settled prior to June 30, 2008 but only paid during the past twelve months), as well as compensation paid (net of insurance coverage) during the twelve-month period ending June 30, 2009 by other U.S. Group businesses involved in asbestos litigation, amounted to about €46 million (USD 61 million), versus €48 million (USD 71 million) in 2008

\*\*\*

In Brazil, former Group employees suffering from asbestos-related occupational illness are offered either exclusively financial compensation or lifetime medical assistance combined with financial assistance. Only a small number of asbestos-related lawsuits were outstanding at June 30, 2009, and they do not represent a material risk for the companies concerned.

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### **Ruling by the European Commission following the investigation into the construction glass and automotive glass industries**

In November 2007 and 2008, the European Commission issued its decisions concerning, respectively, the construction glass industry and the automotive glass industry.

In the November 28, 2007 decision concerning its investigation into construction glass manufacturers, the European Commission held that Saint-Gobain Glass France had violated Article 81 of the Treaty of Rome and fined the company €133.9 million. Compagnie de Saint-Gobain was held jointly and severally liable for the payment of this amount. Compagnie de Saint-Gobain and Saint-Gobain Glass France decided not to appeal this decision and the fine was paid on March 3, 2008.

In the November 12, 2008 decision concerning its investigation into automotive glass manufacturers, the European Commission held that Saint-Gobain Glass France, Saint-Gobain Sekurit France and Saint-Gobain Sekurit Deutschland GmbH had violated Article 81 of the Treaty of Rome and fined them €896 million. Compagnie de Saint-Gobain was held jointly and severally liable for the payment of this amount.

The companies concerned believe the fine is excessive and disproportionate, and have appealed the decision before the Court of First Instance of the European Communities.

The European Commission has granted them a stay of payment until the appeal has been heard, in exchange for a bond covering the €896 million fine and the related interest, calculated at the rate of 5.25% from March 9, 2009. The necessary steps were taken to set up this bond within the required timeframe.



As a result of these developments, the €694 million provision set aside at December 31, 2007, which was reduced to €560 million at June 30, 2008 following payment of the €134 million fine, was increased to €960 million at December 31, 2008 to cover the €896 million fine, together with the cost of the bond and the estimated legal costs over the appeal period. At June 30, 2009, the provision was further increased to €975 million to cover the interest that had accrued since March 9, 2009.

## NOTE 21 – SEGMENT INFORMATION

### Segment information by sector and division

Segment information is presented as follows:

- Innovative Materials (IM) 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.

<i>(in € millions)</i>	INNOVATIVE MATERIALS				CONSTRUCTION PRODUCTS				BUILDING DISTRIBUTION	PACKAGING	Other *	Total
	Flat glass	High-performance materials	Eliminations	Total	Interior Solutions	Exterior Solutions	Eliminations	Total				
<b>First-half 2009</b>												
External sales	2,177	1,564		3,741	2,269	2,517		4,786	8,443	1,744	1	18,715
Internal sales	21	47	(7)	61	270	193	(16)	447	2	0	(510)	0
Net sales	2,198	1,611	(7)	3,802	2,539	2,710	(16)	5,233	8,445	1,744	(509)	18,715
Operating income/(loss)	13	88		101	171	303		474	116	233	6	930
Business income/(loss)	(98)	40		(58)	139	281		420	71	218	(50)	601
Share in net income/(loss) of associates				0				0	1	1		2
Depreciation and amortization	143	91		234	165	92		257	141	111	13	756
Impairment of assets	13	11		24	15	7		22	7		14	67
Capital expenditure	150	59		209	90	48		138	76	96	7	526
Cash flow				123				332	80	260	284	1,079

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

<i>(in € millions)</i>	INNOVATIVE MATERIALS				CONSTRUCTION PRODUCTS				BUILDING DISTRIBUTION	PACKAGING	Other *	Total
	Flat glass	High-performance materials	Eliminations	Total	Interior Solutions	Exterior Solutions	Eliminations	Total				
<b>First-half 2008</b>												
External sales	2,859	2,058		4,917	2,838	2,613		5,451	10,037	1,733	3	22,141
Internal sales	26	65	(15)	76	332	222	(17)	537	2	0	(615)	0
Net sales	2,885	2,123	(15)	4,993	3,170	2,835	(17)	5,988	10,039	1,733	(612)	22,141
Operating income/(loss)	410	296		706	379	225		604	470	233	(8)	2,005
Business income/(loss)	394	261		655	383	216		599	473	231	(61)	1,897
Share in net income/(loss) of associates	0	1		1	4	0		4	0	1	1	7
Depreciation and amortization	160	90		250	155	83		238	138	102	11	739
Impairment of assets	21	17		38	0	0		0	0	0	1	39
Capital expenditure	220	86		306	232	86		318	134	115	8	881
Cash flow				661				479	335	259	160	1,894

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

### Information by geographic area

<i>(in € millions)</i>	France	Other western European countries	North America	Emerging countries and Asia	Internal sales	TOTAL
<b>First-half 2009</b>						
Net sales	5,895	8,099	2,501	2,948	(728)	18,715
Capital expenditure	113	174	74	165		526

<i>(in € millions)</i>	France	Other western European countries	North America	Emerging countries and Asia	Internal sales	TOTAL
<b>First-half 2008</b>						
Net sales	6,806	10,244	2,649	3,552	(1,110)	22,141
Capital expenditure	202	272	97	310		881

**NOTE 22 – 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 June 30, 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	99.80%
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	99.72%
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	99.72%

**HIGH-PERFORMANCE MATERIALS**

Saint-Gobain Abrasifs	France	99.92%
Soci�t� Europ�enne des Produits R�fractaires	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	99.92%
SEPR Italia	Italy	100.00%
Saint-Gobain Abrasivos Brasil Ltda	Brazil	100.00%
Saint-Gobain Abrasives BV�	Netherlands	99.92%
Saint-Gobain Abrasives Ltd	United Kingdom	99.97%
Saint-Gobain Vertex SRO	Czech Republic	100.00%

**CONSTRUCTION PRODUCTS SECTOR****INTERIOR SOLUTIONS**

Saint-Gobain Isover	France	100.00%
Saint-Gobain Isover G+H AG	Germany	99.91%
Saint-Gobain Gyproc Belgium NV	Belgium	100.00%
CertainTeed Corporation	United States	100.00%
Saint-Gobain Isover AB	Sweden	99.98%
Saint-Gobain Ecophon Group	Sweden	99.98%
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	100.00%
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	99.99%
Maxit Group AB	Sweden	99.99%
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	99.94%
Saint-Gobain PAM Italia s.p.a	Italy	100.00%
Saint-Gobain Canaliza˜ao SA	Brazil	100.00%
Saint-Gobain Xuzhou Pipe Co Ltd	China	100.00%

**BUILDING DISTRIBUTION SECTOR**

Distribution Sanitaire Chauffage	France	100.00%
Lapeyre	France	100.00%
Point.P	France	100.00%
Saint-Gobain Distribucion y Construccion	Spain	100.00%
Saint-Gobain Building Distribution Deutschland GmbH	Germany	100.00%
Saint-Gobain Building Distribution Ltd	United Kingdom	99.97%
Saint-Gobain Distribution The Netherlands Bv	Netherlands	100.00%
Saint-Gobain Distribution Nordic AB	Sweden	100.00%
Optimera 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	99.64%
Saint-Gobain Containers Inc.	United States	100.00%
Saint-Gobain Vetri SpA	Italy	99.99%

**NOTE 23 – SUBSEQUENT EVENTS**

None.

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