

LETTER TO Shareholders

No. 56
MAY 2010

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SHAREHOLDER'S NOTEBOOK

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"The Group confirms its target for 2010 of strong growth in operating income at constant exchange rates*."

Dear Shareholders,

Saint-Gobain reported consolidated sales for first-quarter 2010 of **€8.7 billion**, virtually stable year-on-year (**down 0.5% on an actual structure basis and 2.4% at constant exchange rates**). Volumes **slipped 1.7%**, while **sales prices edged down 0.7%** compared to the strong 2.3% rise in first-quarter 2009.

This slight drop in like-for-like consolidated sales conceals starkly contrasting performances across business sectors and geographical areas, in line with the economic scenario presented by the Group at the end of February. Trading was very upbeat in certain Group businesses and areas, particularly those linked to industrial output (Innovative Materials), which saw double-digit organic growth over the quarter, and **all Group business in Asia and Latin America, which confirmed their return to growth delivering a 22% rise in sales over the three months to March 31.**

Businesses related to household consumption (Packaging Sector) continued to hold up very well, reporting like-for-like sales almost identical to the previous year.

The Group's other businesses exposed to construction markets in Europe and North America continued to face tough conditions, amplified by a very cold winter in the first two months of the year.

For the Group's businesses in general, **March** – which benefited from a return to "normal" weather conditions in the Northern hemisphere and an extra working day compared with 2009 – **saw a sharp improvement in**

trading compared to the first two months of the year.

After persistently tough conditions in the three months to March 31, the Group is expecting for the next few quarters:

- Consolidation of the relative improvement in residential construction observed in March in **North America and Western Europe**, although trading should continue to vary widely from one country to the next. Industrial markets should continue to trend upwards in the short term, while household consumption should remain upbeat.
- Further growth gains throughout 2010 in **Asia and emerging countries**, particularly in Asia and Latin America. In Eastern Europe, however, trading is expected to remain difficult over the next few months, although somewhat better than in the first three months of the year.

During this first quarter, the Group resolutely pursued its action plan priorities amid an economic climate that remained fragile. As announced in February, further cost cutting measures were launched, targeting €200 million in additional cost savings for full-year 2010, while the Group's first-quarter operating income also received a boost from the cost savings already unlocked in the second half of 2009.

The Group therefore **confirms its targets for full-year 2010: strong growth in operating income at constant exchange rates*, free cash flow of above €1 billion, and a persistently robust financial structure.**



Pierre-André de Chalendar
Director, Chief Executive Officer



Jean-Louis Beffa
Chairman of the Board of Directors

We wish to take this opportunity to thank you for your loyalty and **look forward to seeing you at the forthcoming Shareholders' Meeting on June 3, 2010 at the Palais des Congrès (Porte Maillot) in Paris.**

Pierre-André de Chalendar **Jean-Louis Beffa**

Sales for the first quarter of 2010:
€8,737 million
(down 0.5%)

* 2009 exchange rates.

Sales for the first quarter of 2010:

€8,737 million

▾ -0.5% on a reported basis

▾ -2.4% like-for-like

2010 targets:

- Strong growth in operating income at constant exchange rates*.
- Free cash flow of above €1 billion.
- Persistently robust financial structure.

*2009 exchange rates.

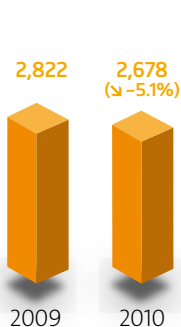
Sales by geographic area (comments based on like-for-like figures)

Sales trends for the quarter varied widely from one region to the next. Latin America and Asia confirmed the recovery begun in fourth-quarter 2009. Countries in the Northern hemisphere benefited from the upturn in industrial output, but continued to face challenging market conditions in construction, intensified by very bad weather conditions over the first two months of the year. Trading in **March** – which gained from an extra working day compared to 2009 – **was up significantly compared to January and February in both Europe and North America.**

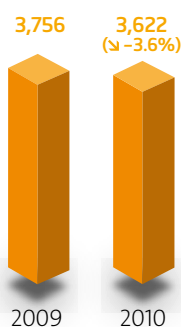
Sales at March 31, 2010

(% change on an actual structure basis)

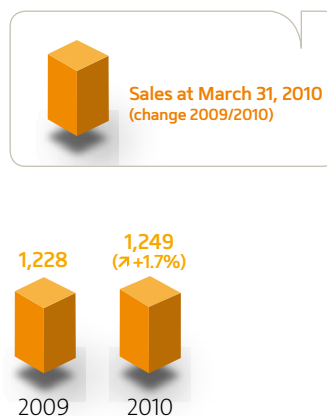
(€ millions)



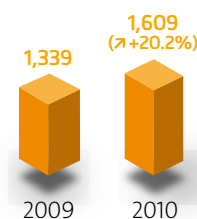
France



Other Western European countries



North America



Asia and emerging countries

Sales in France and other Western European countries were **down 5.1% and 5.6%, respectively, for the quarter**, on the back of the ongoing contraction in sales to the construction industry. In

contrast, markets linked to industrial output saw a timid recovery, allowing the Innovative Materials business to post robust growth gains throughout the region.

North America reported **6.1% organic growth, buoyed by the strong rebound in industrial output** combined with robust sales for Packaging and Exterior Products.

Like-for-like **sales advanced 8.3% in Asia and emerging countries**, thanks to vigorous momentum in Latin America and Asia, with overall organic growth of 22% for the quarter. Trading in Eastern European countries remained very sluggish, although there was a relative improvement in March compared to the previous two months, spurred by more favorable weather conditions.

Update on asbestos claims in the United States

Some 1,000 claims were filed against CertainTeed in first-quarter 2010, in line with the number of claims filed in the three months to March 31, 2009. Taking into account some 1,000 claims settled during this period (unchanged from first-quarter 2009), the number of claims outstanding at March 31, 2010 was virtually the same as at December 31, 2009.



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

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



Innovative Materials reported double-digit organic growth of 10.4% over the quarter, buoyed by the rebound in markets linked to industrial output in North America and to a lesser extent in Western Europe, as well as the sharp rise in sales in emerging countries and Asia (which represent 35% of the Sector's sales).

- **Flat Glass** reported 9.6% organic growth. The strong rally in the global automotive market and robust momentum in Asia and emerging countries (which account for over 39% of the Sector's sales) more than offset sluggish construction markets across Western Europe. Despite the slight rise in prices for commodity products (float glass) in Europe compared with first-quarter 2009, sales prices across the Sector were still down, mainly due to the time-lag in passing float glass price increases onto processed products.

- **High-Performance Materials** posted an 11.9% increase in sales, fueled chiefly by the sharp rally in industrial output in Asia and North and South America, and the more modest industrial output gains in Europe. This more than offset the slowdown (in terms of volumes and prices) in businesses linked to capital expenditure.



Construction Products sales fell 3.3%, reflecting the impact of very poor weather conditions in the Northern hemisphere over the first two months of the year.

- **Interior Solutions** sales for the first quarter were dampened by slack construction markets across Europe and the US, which vigorous demand in Asia and Latin America failed to offset. In this context, sales prices were slightly down on average compared to the same year-ago period, particularly in the US, despite an upward trend at the end of the quarter.

- **Exterior Solutions** sales climbed 1.9% on the back of vigorous growth in Asia (particularly for Pipe) and Latin America, as well as brisk trading in US Exterior Products, bolstered by the rebuilding of inventory levels by distributors. Sales prices remained upbeat, reflecting the rising trend in commodity and energy costs.



Building Distribution was hard hit by persistently tough conditions on European construction markets and by extremely harsh winter weather in the first two months of the year, driving an 8.8% drop in sales. Sales fell in most countries where the Sector operates, although the decline was smaller in the UK, thanks to a more favorable basis for comparison. Sales prices held up well.



Trading remained brisk for the **Packaging** business, in line with first-quarter 2009 (down 0.4%). Robust sales prices helped offset the slight drop in volumes in Europe.



Ready for the FIFA Soccer World Cup

Saint-Gobain supplied materials
for the **construction and renovation** of hotels
and infrastructure required
for the **2010 FIFA Soccer World Cup**.

Some 450,000 visitors are expected in South Africa for the World Cup, which runs from June 11 to July 11. The government has invested heavily to make sure everything is ready to welcome them, spending 5 billion rands (almost €450 million) to build and ren-

ovate stadiums, 5.2 billion rands (around €520 million) to upgrade the country's airports, and 3.5 billion rands (around €350 million) to bring the country's road networks up to standard.

Saint-Gobain's Construction Products business supplied materials for many of these projects.

"Our Gyproc, Isover and Weber divisions are well established in the hotel and restaurant markets", says Steve du Toit, General Delegate to South Africa and Managing Director of Saint-Gobain Construction Products in South Africa.

"The hotel sector will be in the spotlight

during the World Cup, and our solutions using mineral wool and plaster have been used in 18 luxury hotels in Durban, Cape Town, Johannesburg and Pretoria. These projects are very important for our business insofar as they promote the strengths of our construction methods”.

Long-term economic impact

The Soccer World Cup will have a long-term economic legacy.

“The projects undertaken by the government will provide an exceptional tourism and sporting environment that will inevitably lead to investment in tourism and industry in the years ahead,” explains Steve du Toit. “The number of building industry jobs rose from 60,000 in 2005 to 100,000 in 2008, and is expected to top 160,000 by 2013. The dynamic created by the current projects should continue well beyond this one-off sporting event.”

Saint-Gobain supplied construction products for the FIFA villages and the TV and radio broadcasting center that will act as telecommunications hub during the Cup. “Effective showcases, the FIFA villages highlight the performance of our

Lightweight Building Solutions in terms of advanced energy efficiency. These attractive buildings, with a strong design component and high energy efficiency will boost our position on the habitat market,” adds Steve du Toit.

The Group’s entities in South Africa were also involved in the Gautrain project for the construction of a mass transit rapid rail system in Gauteng Province, between Pretoria (Tshwane), Johannesburg and the OR Tambo International Airport.

One of the world’s most advanced projects

“We supplied the stormwater evacuation systems for the viaducts, and the ductile iron pipes and fittings for some of the Gautrain stations,” explains Olivier Bluche, Managing Director of Saint-

Gobain Pipelines South Africa. “This project, completed on schedule and compliant with very stringent standards, has earned the reputation of being one of the world’s most advanced rail projects.

The track and stations under construction will be finished in 2010 and 2011, but the lines will undoubtedly extend beyond their current configuration, and that will give us the opportunity to supply products for this ambitious project.”

“For Saint-Gobain Construction Products South Africa and the country in general, 2010 is not only about the Soccer World Cup, as prestigious as the event may be,” concludes Steve du Toit. “At a time when the country was suffering badly from the effects of the global crisis, this sporting event offers a glimmer of hope and is a catalyst for growth”.

The stadium on a manhole cover

Saint-Gobain Pipelines South Africa designed a customized manhole cover for the Soweto Soccer City Stadium, near Johannesburg.

Produced jointly with Boogertman and Partners, this manhole features an imprinted aerial view of the stadium and the pitch lines.



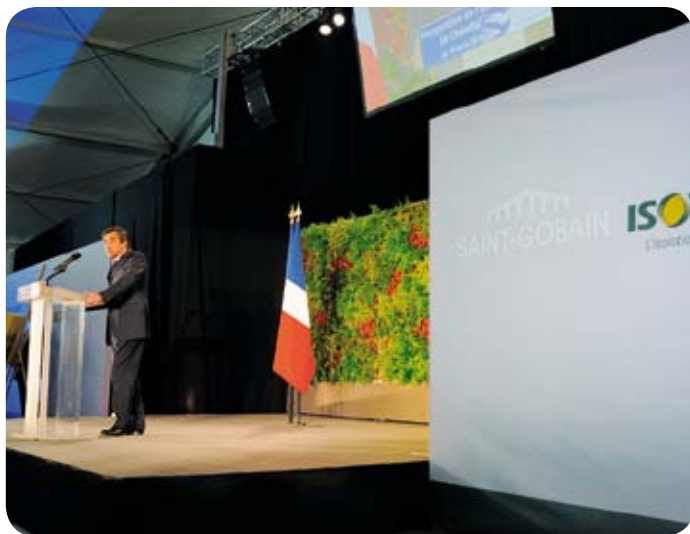
1 The new King Shaka International Airport in Durban uses plasterboard paneling (Rhinowall, Rhinoceiling, Gypwall) and Isover glass wool.

2 The new 70,000-seater Cape Town stadium was built using Gyproc, Donn, Isover and Weber products.



Inauguration of Saint-Gobain

Isover Chemillé plant



On April 14, Pierre-André de Chalendar, Chief Executive Officer of Saint-Gobain, officially opened the Saint-Gobain Isover plant in Chemillé (Maine-et-Loire, France), in the presence of the French Prime Minister François Fillon.

This is the fourth Saint-Gobain Isover site in France that manufactures G3 mineral wool with the triple guarantee: performance, health and environment.



G3 mineral wool uses natural and recyclable materials and represents a major innovation resulting from Isover's own research and development initiatives and drawing on more than 20 patents.

Built in accordance with the HQE® approach, the plant is exemplary in terms of its environmental performance, with savings in water, energy and raw material consumption and less waste produced. The plant is certified to ISO 14001 and was awarded the 2009 Grand Prix National de l'Ingénierie for both its design and construction.

Saint-Gobain invested €100 million in building this 25-hectare plant, which has a production capacity of 70,000 metric tons, the equivalent of 100,000 insulated houses each year. The Chemillé plant has also directly created 100 jobs in the region.

SAINT-GOBAIN REINFORCES ITS POSITION IN JAPAN

Saint-Gobain has reinforced its position in Japan's insulation market by acquiring the 43.7% stake in MAG owned by the Japanese group Taiheiyo Cement Corporation. This agreement was approved by the Japanese competition authorities and brings Saint-

Gobain's total interest in MAG to 87.3%.

MAG, Japan's leading glass wool manufacturer, had been managed jointly by Saint-Gobain and Taiheiyo Cement Corporation since June 2008.

INNOVATIVE MATERIALS AT THE HEART OF THERMAL TECHNOLOGY

Saint-Gobain Solar in Stolberg (Germany) supplied over 2,150 heliostats – mobile mirrors designed to follow the sun's trajectory – for Germany's first solar thermal power plant in Jülich which was inaugurated in August 2009. The plant also uses a large number of HPM solutions. Besides Norglide bearings from Saint-Gobain Performance Plastics, the solar radiation absorbers

forming the core of the system were supplied by Saint-Gobain Ceramic Materials' Rodental site in Germany. These honeycomb-shaped silicon carbide absorbers are highly efficient in converting solar energy into heat.

To find out more about the Jülich solar tower and see the film (English only), go to www.ka-muenchen.de

XTREME solar performance

Studying a report beside a sun-filled window, playing around on the computer or lunching near patio windows during the hottest summer days can prove extremely challenging without shutters or air conditioning. Unless you have Saint-Gobain Glass' latest innovation, SGG COOL-LITE® XTREME 60/28, extremely selective solar control glass.

Designed chiefly for the non-residential market, this innovation is making its mark in Europe as the new eco-friendly choice for architectural glass and clearly lives up to its name. Assembled in double-glazing, this upscale product provides extreme selectivity, allowing 60% of visible light through, against just 28% of the sun's heat, thereby trapping 72% of energy. Its U-value (overall heat transfer coefficient) is also excellent, at 1.0 W/(m²K). This performance is possible thanks to the extreme stacking of noble metals, incorporating 17 separate coatings in all.

Even so, thanks to these superimposed coatings its reflectivity is moderate, at 14%, which ensures the glazing's extreme transparency.



SAINT-GOBAIN AND SUSTAINABLE DEVELOPMENT

Towards a greener glass: a world-first signed Saint-Gobain

The Group's researchers have achieved a world first: a biomass-supplied glass-melting campaign. This is part of Saint-Gobain's strategic research program on energy-saving and environmentally-friendly processes.

Thanks to a new technology, the Saint-Gobain Glass Renedo plant in Spain has produced

glass using a process where gas combustion is partially replaced by that of timber residue collected from surrounding commercial forests. These tests were performed in a furnace especially designed by R&D teams from the Avilès R&D Center and Saint-Gobain Recherche (Paris).



Dates for your diary

UPCOMING SHAREHOLDER MEETINGS

- **June 9**, Nancy
with Pierre-André de Chalendar
- **October 7**, Lille
with Laurent Guillot, Chief Financial Officer
- **November 19**, Paris (Salon Actionaria)
with Pierre-André de Chalendar
- **November 30**, Dijon
with Florence Triou-Teixeira,
Head of Investor Relations

ANNUAL GENERAL MEETING

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

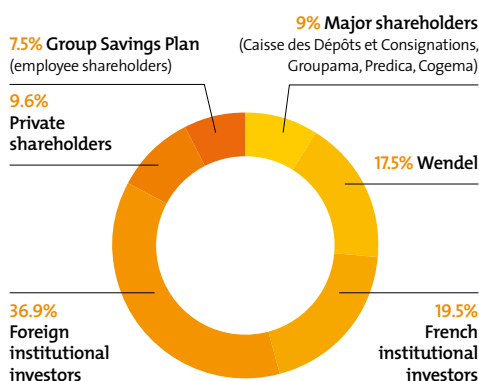
UPCOMING RESULTS PUBLICATIONS

- **Final results for first-half 2010**
July 29, after close of trading on the Paris Bourse
- **Sales for the first nine months of 2010**
October 26, after close of trading on the Paris Bourse

TOTAL NUMBER OF SHARES AT MARCH 31, 2010

512,945,155

ESTIMATED OWNERSHIP STRUCTURE AT MARCH 31, 2010 (%)



Saint-Gobain share price

SHARE PERFORMANCE 2004-2010

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

The day after the Group published its higher-than-expected sales for first-quarter 2010, the Saint-Gobain share closed up 6.66% at €39.335.

The markets were reassured by the sharp upturn in trading in March compared with the first two months of the year, and by the confirmation of the Group's objectives for full-year 2010.

Performance over the period: Saint-Gobain: **+11.6%** CAC 40: **+11.1%**



— Saint-Gobain share price — CAC 40
— DJ EURO STOXX 50 — DJ EURO STOXX 50 Construction

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

RECENT PERFORMANCE OF THE SAINT-GOBAIN SHARE

Recent performance
at April 23, 2010 (€39.335)
in %

	Saint-Gobain share price	CAC 40	DJ Euro Stoxx 50	DJ Euro Stoxx 50 Construction
Trailing 12 months	+45.2%	+31.3%	+29.1%	+29.2%
Trailing 6 months	+8.0%	+3.8%	+1.1%	+5.3%
Trailing 3 months	+10.6%	+3.4%	+2.9%	+6.9%
Trailing month	+8.2%	+0.0%	+0.3%	+5.5%

Your contacts

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

- By dialing (toll-free number in France)

N° Vert 0 800 32 33 33

APPEL GRATUIT DEPUIS UN POSTE FIXE

or +33 (0) 1 47 62 33 33 (outside France)

- Online, at www.saint-gobain.com

- By e-mail, at actionnaires@saint-gobain.com

- By post, at
Compagnie de Saint-Gobain
Service Actionnaires
Les Miroirs
92096 La Défense Cedex

- Reuters: SGOB.PA

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sustainably managed forests.



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