

# **CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED  
DECEMBER 31, 2011**



**SAINT-GOBAIN**

**GROUP CONSOLIDATION and REPORTING  
Department**

**COMPAGNIE DE SAINT-GOBAIN**

**STATUTORY AUDITORS' REPORT  
ON THE CONSOLIDATED FINANCIAL STATEMENTS**

**Year ended December 31, 2011**

**The Statutory Auditors**

**PricewaterhouseCoopers Audit  
Crystal Park  
63, rue de Villiers  
92208 Neuilly-sur-Seine Cedex**

**KPMG Audit  
Immeuble KPMG  
1, cours Valmy  
92923 Paris La Défense**

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**ON THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31, 2011**

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information presented below is the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.*

*This report also includes information relating to the specific verification of information given in the Group's management report.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

**Compagnie de Saint-Gobain S.A.**

Les Miroirs  
18, avenue d'Alsace  
92400 Courbevoie

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2011, on:

- the audit of the accompanying consolidated financial statements of Compagnie de Saint-Gobain;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

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**I - Opinion on the consolidated financial statements**

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2011 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**II - Justification of our assessments**

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- Measurement of property, plant and equipment and intangible assets

The Group regularly carries out impairment tests on its property, plant and equipment, goodwill and other intangible assets, and also assesses whether there is any indication of impairment of property, plant and equipment and amortizable intangible assets, based on the methods described in Note 1 to the consolidated financial statements (Impairment of property, plant and equipment, intangible assets and goodwill). We examined the methods applied in implementing these tests and the estimates and assumptions used, and we verified that the information disclosed in Note 1 to the consolidated financial statements is appropriate.

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- Employee benefits

The methods applied for assessing employee benefits are set out in Note 1 to the consolidated financial statements (Employee benefits – defined benefit plans). These benefit obligations were reviewed by independent actuaries. Our work consisted of assessing the data and assumptions used, examining, on a test basis, the calculations performed and verifying that the information disclosed in Notes 1 and 14 to the consolidated financial statements is appropriate.

- Provisions

As specified in Note 1 to the consolidated financial statements (Other current and non-current liabilities and provisions), the Group books provisions to cover risks. The nature of the provisions recorded under “Other current and non-current liabilities and provisions” are described in Note 16 to the consolidated financial statements. Based on the information available at the time of our audit, we ensured that the methods and data used to determine provisions, particularly relating to the European Commission’s decision concerning the automotive glass industry, as well as the disclosures regarding said provisions provided in the notes to the consolidated financial statements, are appropriate.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

### **III - Specific verification**

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group’s management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, February 16, 2012

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG Audit  
*Department of KPMG S.A.*

Pierre Coll    Jean-Christophe Georghiou    Jean-Paul Vellutini    Philippe Grandclerc

**CONSOLIDATED BALANCE SHEET**

<i>(in EUR millions)</i>	Notes	Dec. 31, 2011	Dec. 31, 2010
<b>ASSETS</b>			
Goodwill	(3)	11,041	11,030
Other intangible assets	(4)	3,148	3,067
Property, plant and equipment	(5)	14,225	13,727
Investments in associates	(6)	167	137
Deferred tax assets	(15)	949	700
Other non-current assets	(7)	347	272
<b>Non-current assets</b>		<b>29,877</b>	<b>28,933</b>
Inventories	(8)	6,477	5,841
Trade accounts receivable	(9)	5,341	5,038
Current tax receivable		182	175
Other receivables	(9)	1,408	1,248
Cash and cash equivalents	(19)	2,949	2,762
<b>Current assets</b>		<b>16,357</b>	<b>15,064</b>
<b>Total Assets</b>		<b>46,234</b>	<b>43,997</b>
<b>EQUITY AND LIABILITIES</b>			
Capital stock	(10)	2,142	2,123
Additional paid-in capital and legal reserve		5,920	5,781
Retained earnings and net income for the year		10,654	10,614
Cumulative translation adjustments		(476)	(383)
Fair value reserves		(22)	(43)
Treasury stock	(10)	(403)	(224)
<b>Shareholders' equity</b>		<b>17,815</b>	<b>17,868</b>
Minority interests		403	364
<b>Total equity</b>		<b>18,218</b>	<b>18,232</b>
Long-term debt	(19)	8,326	7,822
Provisions for pensions and other employee benefits	(14)	3,458	2,930
Deferred tax liabilities	(15)	893	909
Other non-current liabilities and provisions	(16)	2,143	2,228
<b>Non-current liabilities</b>		<b>14,820</b>	<b>13,889</b>
Current portion of long-term debt	(19)	1,656	1,094
Current portion of other liabilities	(16)	733	527
Trade accounts payable	(17)	6,018	5,690
Current tax liabilities		165	156
Other payables and accrued expenses	(17)	3,562	3,395
Short-term debt and bank overdrafts	(19)	1,062	1,014
<b>Current liabilities</b>		<b>13,196</b>	<b>11,876</b>
<b>Total Equity and Liabilities</b>		<b>46,234</b>	<b>43,997</b>

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

**CONSOLIDATED INCOME STATEMENT**

<i>(in EUR millions)</i>	Notes	2011	2010
Net sales	(32)	42,116	40,119
Cost of sales	(22)	(31,763)	(30,059)
Selling, general and administrative expenses including research	(22)	(6,912)	(6,943)
<b>Operating income</b>		<b>3,441</b>	<b>3,117</b>
Other business income	(22)	69	87
Other business expense	(22)	(864)	(680)
<b>Business income</b>		<b>2,646</b>	<b>2,524</b>
Borrowing costs, gross		(559)	(558)
Income from cash and cash equivalents		43	39
Borrowing costs, net		(516)	(519)
Other financial income and expense	(23)	(122)	(220)
<b>Net financial expense</b>		<b>(638)</b>	<b>(739)</b>
Share in net income of associates	(6)	8	5
Income taxes	(15)	(656)	(577)
<b>Net income</b>		<b>1,360</b>	<b>1,213</b>
<b>Attributable to equity holders of the parent</b>		<b>1,284</b>	<b>1,129</b>
Minority interests		76	84
<b>Earnings per share (in EUR )</b>			
Weighted average number of shares in issue		526,274,931	517,954,691
Basic earnings per share	(25)	2.44	2.18
Weighted average number of shares assuming full dilution		530,333,380	519,887,155
Diluted earnings per share	(25)	2.42	2.17

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

**CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE**

<i>(in EUR millions)</i>	Shareholders' equity		Minority interests	Total equity
	Before tax effect	Tax effect		
<b>2010</b>				
<b>Net income</b>	<b>1,667</b>	<b>(538)</b>	<b>84</b>	<b>1,213</b>
Translation adjustments	956		33	989
Changes in fair values	32	(12)		20
Changes in actuarial gains and losses	(142)	40		(102)
Other	(66)		(3)	(69) (*)
<b>Income and expense recognized directly in equity</b>	<b>780</b>	<b>28</b>	<b>30</b>	<b>838</b>
Total recognized income and expense for the year	2,447	(510)	114	2,051
<b>2011</b>				
<b>Net income</b>	<b>1,903</b>	<b>(619)</b>	<b>76</b>	<b>1,360</b>
Translation adjustments	(93)		(15)	(108)
Changes in fair values	21	(9)		12
Changes in actuarial gains and losses	(704)	240		(464)
Other	(6)	3	(5)	(8) (*)
<b>Income and expense recognized directly in equity</b>	<b>(782)</b>	<b>234</b>	<b>(20)</b>	<b>(568)</b>
Total recognized income and expense for the year	1,121	(385)	56	792

(\*) "Other" mainly includes the impact of applying the changes introduced by IFRS 3R.

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



**CONSOLIDATED CASH FLOW STATEMENT**

<i>(in EUR millions)</i>	Notes	2011	2010
<b>Net income attributable to equity holders of the parent</b>		<b>1,284</b>	<b>1,129</b>
Minority interests in net income	(*)	76	84
Share in net income of associates, net of dividends received	(6)	(1)	(5)
Depreciation, amortization and impairment of assets	(22)	1,892	1,755
Gains and losses on disposals of assets	(22)	(1)	(87)
Unrealized gains and losses arising from changes in fair value and share-based payments		48	53
Changes in inventories	(8)	(551)	(404)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(9)(17)	18	299
Changes in tax receivable and payable	(15)	(6)	179
Changes in deferred taxes and provisions for other liabilities and charges	(14)(15)(16)	(374)	(230)
<b>Net cash from operating activities</b>		<b>2,385</b>	<b>2,773</b>
Purchases of property, plant and equipment [2011: (1,936), 2010: (1,450)] and intangible assets	(4)(5)	(2,028)	(1,520)
Increase (decrease) in amounts due to suppliers of fixed assets	(17)	18	48
Acquisitions of shares in consolidated companies [2011: (688), 2010: (113)], net of cash acquired	(2)	(666)	(72)
Acquisitions of other investments	(7)	(8)	(5)
Increase in investment-related liabilities	(16)	0	17
Decrease in investment-related liabilities	(16)	(17)	(4)
<b>Investments</b>		<b>(2,701)</b>	<b>(1,536)</b>
Disposals of property, plant and equipment and intangible assets	(4)(5)	90	99
Disposals of shares in consolidated companies, net of cash divested	(2)	8	176
Disposals of other investments	(7)	2	3
<b>Divestments</b>		<b>100</b>	<b>278</b>
Increase in loans and deposits	(7)	(38)	(77)
Decrease in loans and deposits	(7)	53	63
<b>Net cash from (used in) investing activities</b>		<b>(2,586)</b>	<b>(1,272)</b>
Issues of capital stock	(*)	158	511
Minority interests' share in capital increases of subsidiaries	(*)	4	2
Acquisitions of minority interests	(*)	(6)	(11)
Changes in investment related liabilities following the exercise of put options of minority	(*)	(20)	(12)
(Increase) decrease in treasury stock	(*)	(186)	(24)
Dividends paid	(*)	(603)	(509)
Dividends paid to minority shareholders of consolidated subsidiaries and increase (decrease) in dividends payable		(20)	(64)
Increase (decrease) in bank overdrafts and other short-term debt		64	12
Increase in long-term debt	(**)	2,069	208
Decrease in long-term debt	(**)	(1,055)	(2,082)
<b>Net cash from (used in) financing activities</b>		<b>405</b>	<b>(1,969)</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>204</b>	<b>(468)</b>
Net effect of exchange rate changes on cash and cash equivalents		(20)	73
Net effect from changes in fair value on cash and cash equivalents		3	0
<b>Cash and cash equivalents at beginning of year</b>		<b>2,762</b>	<b>3,157</b>
<b>Cash and cash equivalents at end of year</b>		<b>2,949</b>	<b>2,762</b>

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

(\*\*) Including bond premiums, prepaid interest and issue costs.

Income tax paid amounted to €668 million in 2011 (2010: €362 million). Interest paid net of interest received amounted to €484 million in 2011 (2010: €586 million).

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>(Number of shares)</i>		<i>(in EUR millions)</i>								
	Issued	Outstanding (excluding treasury stock)	Capital stock	Additional paid-in capital and legal reserve	Retained earnings and net income for the year	Cumulative translation adjustments	Fair value reserves	Treasury stock	Share- holders' equity	Minority interests	Total equity
<b>At January 1, 2010</b>	<b>512,931,016</b>	<b>508,473,517</b>	<b>2,052</b>	<b>5,341</b>	<b>10,137</b>	<b>(1,340)</b>	<b>(75)</b>	<b>(203)</b>	<b>15,912</b>	<b>302</b>	<b>16,214</b>
Income and expenses recognized directly in equity			0	0	(180)	956	32	0	808	30	838
Net income for the year					1,129				1,129	84	1,213
<b>Total recognized income and expense for the year</b>			<b>0</b>	<b>0</b>	<b>949</b>	<b>956</b>	<b>32</b>	<b>0</b>	<b>1,937</b>	<b>114</b>	<b>2,051</b>
Issues of capital stock											
Stock dividends	12,861,368	12,861,368	51	315					366		366
Group Savings Plan	4,993,989	4,993,989	20	123					143		143
Stock option plans	50,068	50,068		2					2		2
Other									0	2	2
Dividends paid (EUR 1.00 per share)					(509)				(509)	(54)	(563)
Treasury stock purchased		(6,114,150)				1		(212)	(211)		(211)
Treasury stock sold		5,457,752			(4)			191	187		187
Share-based payments					41				41		41
<b>At December 31, 2010</b>	<b>530,836,441</b>	<b>525,722,544</b>	<b>2,123</b>	<b>5,781</b>	<b>10,614</b>	<b>(383)</b>	<b>(43)</b>	<b>(224)</b>	<b>17,868</b>	<b>364</b>	<b>18,232</b>
Income and expenses recognized directly in equity			0	0	(476)	(93)	21	0	(548)	(20)	(568)
Net income for the year					1,284				1,284	76	1,360
<b>Total recognized income and expense for the year</b>			<b>0</b>	<b>0</b>	<b>808</b>	<b>(93)</b>	<b>21</b>	<b>0</b>	<b>736</b>	<b>56</b>	<b>792</b>
Issues of capital stock											
Group Savings Plan	4,497,772	4,497,772	18	132					150		150
Stock option plans	229,510	229,510	1	7					8		8
Other									0	4	4
Dividends paid (EUR 1.15 per share)					(603)				(603)	(21)	(624)
Treasury stock purchased		(10,180,347)						(418)	(418)		(418)
Treasury stock sold		5,936,217			(7)			239	232		232
Forward purchases of treasury stock					(197)				(197)		(197)
Share-based payments					39				39		39
<b>At December 31, 2011</b>	<b>535,563,723</b>	<b>526,205,696</b>	<b>2,142</b>	<b>5,920</b>	<b>10,654</b>	<b>(476)</b>	<b>(22)</b>	<b>(403)</b>	<b>17,815</b>	<b>403</b>	<b>18,218</b>

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

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

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

#### **BASIS OF PREPARATION**

The consolidated financial statements of Compagnie de Saint-Gobain and its subsidiaries (“the Group”) have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for use in the European Union at December 31, 2011, corresponding to the IFRS issued by the International Accounting Standards Board (IASB).

The accounting policies applied are consistent with those used to prepare the financial statements for the year ended December 31, 2010, except for the application of the new standards and interpretations described below. The consolidated financial statements have been prepared using the historical cost convention, except for certain assets and liabilities that have been measured using the fair value model as explained in these notes.

The standards, interpretations and amendments to published standards applicable for the first time in 2011 (see the table below) do not have a material impact on the Group’s consolidated financial statements.

The Group has not early adopted any new standards, interpretations or amendments to published standards that are applicable for financial years beginning on or after January 1, 2012 (see the table below).

These consolidated financial statements were adopted by the Board of Directors on February 16, 2012 and will be submitted to the Shareholders' Meeting for approval. They are presented in millions of euros.

#### **ESTIMATES AND ASSUMPTIONS**

The preparation of consolidated financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the period. These estimates and assumptions are based on past experience and on various other factors, including the prevailing economic environment. Actual amounts may differ from those obtained through the use of these estimates and assumptions.

The main estimates and assumptions described in these notes concern the measurement of employee benefit obligations (Note 14), provisions for other liabilities and charges (Note 16), asset impairment tests (Note 1), deferred taxes (Note 15), share-based payments (Notes 11, 12 and 13) and financial instruments (Note 20).

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

<b>Standards, interpretations and amendments to existing standards applicable in 2011</b>	
Amendment to IAS 32	Classification of Rights Issues
IAS 24R	Related Party Disclosures
Amendment to IFRIC 14	Prepayments of a Minimum Funding Requirement
Amendment to IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
2010	Annual improvements to IFRS
<b>Standards, interpretations and amendments to existing standards early adopted in 2011</b>	
Amendment to IAS 1	Presentation of Financial Statements
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets

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

**CONSOLIDATION****Scope of consolidation**

The Group's consolidated financial statements include the accounts of Compagnie de Saint-Gobain and of all companies controlled by the Group, as well as those of jointly controlled companies and companies over which the Group exercises significant influence.

Significant changes in the Group's scope of consolidation during 2011 are presented in Note 2 and a list of the principal consolidated companies at December 31, 2011 is provided in Note 33.

**Consolidation methods**

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

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

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

The Group's share of the profit of companies accounted for by the equity method is recognized in the income statement under "Share in net income of associates".

**Business combinations**

The Group has applied IFRS 3R and IAS 27A on a prospective basis starting from January 1, 2010. As a result, business combinations completed prior to that date are recognized in accordance with the previous versions of IFRS 3 and IAS 27.

- *Goodwill*

When an entity is acquired by the Group, the identifiable assets and assumed 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 and retrospectively at the acquisition date.

The final acquisition price (referred to as “consideration transferred” in IFRS 3R), including the estimated fair value of any earn-out payments or other deferred consideration (referred to as “contingent consideration”), is determined in the twelve months following the acquisition. Under IFRS 3R, any adjustments to the acquisition price beyond this twelve-month period are recorded in the income statement. Since January 1, 2010, all costs directly attributable to the business combination, i.e. costs that the acquirer incurs to effect a business combination such as professional fees paid to investment banks, attorneys, auditors, independent valuers and other consultants, are no longer capitalized as part of the cost of the business combination, but are recognized as expenses as incurred.

In addition, starting from January 1, 2010, goodwill is recognized only at the date that control is achieved (or joint control is achieved in the case of proportionately consolidated companies or significant influence is obtained in the case of entities accounted for by the equity method). Any subsequent increase in ownership interest is recorded as a change in equity attributable to the equity holders of the parent without adjusting goodwill.

Goodwill is recorded in the consolidated balance sheet as the difference between the acquisition-date fair value of (i) the consideration transferred plus the amount of any minority interests and (ii) the identifiable net assets of the acquiree. Minority interests are measured either as their proportionate interest in the net identifiable assets (partial goodwill method) or at their fair value at the acquisition date (full goodwill method). As the partial goodwill method is applied by the Group, goodwill calculated by the full goodwill method is not material.

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

- *Step acquisitions and partial disposals*

When the Group acquires control of an entity in which it already held an equity interest, the transaction is treated as a step acquisition (an acquisition in stages), as follows: (i) as a disposal of the previously-held interest, with recognition of any gain or loss in the consolidated financial statements, and (ii) as an acquisition of the entire interest, with recognition of the corresponding goodwill (on both the old and new acquisitions).

When the Group disposes of part of an equity interest, leading to the loss of control (with a minority interest retained), the transaction is also treated as both a disposal and an acquisition, as follows: (i) as a disposal of the entire interest, with recognition of any gain or loss in the consolidated financial statements, and (ii) as an acquisition of the retained non-controlling (minority) interest, measured at fair value.

- *Potential voting rights and share purchase commitments*

Potential voting rights conferred by call options on minority interests (non-controlling 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 of 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 equity attributable to equity holders of the parent. Any subsequent changes in the fair value of the liability are recognized by adjusting equity.

- *Minority interests*

Up to December 31, 2009, transactions with minority interests were treated in the same way as transactions with parties external to the Group. As from January 1, 2010, changes in minority interests (referred to as “non-controlling interests” in IFRS 3R) are accounted for as equity transactions between two categories of owners of a single economic entity in accordance with IAS 27A. As a result, they are recorded in the statement of changes in equity and have no impact on the income statement or balance sheet, except for changes in cash and cash equivalents.

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

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

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

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

At each balance sheet date, the value of the assets and liabilities is reviewed to determine whether any provision adjustments should be recorded due to a change in their fair value less costs to sell.

### **Intragroup transactions**

All intragroup balances and transactions are eliminated in consolidation.

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

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

Assets and liabilities of subsidiaries outside the euro zone are translated into euros at the closing exchange rate and income and expense items are translated using the average exchange rate for the period, except in the case of significant exchange rate volatility.

The Group's share of any translation gains or losses is included in equity under "Cumulative translation adjustments" until the foreign operations to which they relate are sold or liquidated, at which time they are taken to the income statement if the transaction results in a loss of control or recognized directly in the statement of changes in equity if the change in ownership interest does not result in a loss of control.

### **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**

See the section above on "business combinations".

### **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.

Concerning greenhouse gas emissions allowances, 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 or material decline in value, in which case an impairment loss is recorded in the income statement.

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

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

For property, plant and equipment and amortizable intangible assets, an impairment test is performed whenever revenues from the asset decline or the asset generates operating losses due to either internal or external factors, and no material 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). The Group’s reporting segments are its business sectors, which may each include several CGUs. A CGU is a reporting sub-segment, generally defined as a core business of the segment in a given geographical area. It typically reflects the manner in which the Group organizes its business and analyzes its results for internal reporting purposes. A total of 36 CGUs had been identified at December 31, 2011.

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. Details of goodwill and brands by Sector are provided in the segment information tables in Note 32.

The method used for these impairment tests is consistent with that employed by the Group for the valuation of companies acquired in business combinations or acquisitions of equity interests. The carrying amount of the CGUs is compared to their value in use, corresponding to the present value of future cash flows excluding interest but including tax. Cash flows for the fifth year of the business plan are rolled forward over the following two years. For impairment tests of goodwill, normative cash flows (corresponding to cash flows at the mid-point in the business cycle) are then projected to perpetuity using a low annual growth rate (generally 1%, except for emerging markets or businesses with a high organic growth potential where a 1.5% rate may be used). The discount rate applied to these cash flows corresponds to the Group’s average cost of capital (7.25% in both 2011 and 2010) plus a country risk premium where appropriate depending on the geographic area concerned. The discount rates applied in 2011 and 2010 for the main operating regions were 7.25% for the euro zone and North America, 8.25% for Eastern Europe and China and 8.75% for South America.

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

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

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

Tests performed in 2011 led to the recognition of a €201 million impairment loss on goodwill on Gypsum in North America, and Building Distribution in certain countries due to unfavorable changes in local market conditions. The breakdown of asset impairments by Sector and by Division for 2011 and 2010 is provided in the segment

information tables in Note 32.

A 0.5-point decrease in projected average annual growth in cash flows to perpetuity for all the CGUs would lead to less than €100 million in additional write-downs of intangible assets, while a 0.5-point increase in the discount rate applied to all the CGUs would result in additional write-downs of approximately €120 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. No account is taken in the inventory valuation process of the impact of below-normal capacity utilization rates.

### **Operating receivables and payables**

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

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

### **Net debt**

- *Long-term debt*

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

Under IAS 32, the distinction between financial liabilities and equity is based on the substance of the contracts concerned rather than their legal form. As a result, participating securities are classified as debt. 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, with the exception of derivatives that are held as hedges of debt. Premiums and issuance costs are amortized using the effective interest method.

- *Cash and cash equivalents*

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

Further details about long- and short-term debt are provided in Note 19.

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

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

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

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

- *Fair value hedges*

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

- *Cash flow hedges*

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

- *Derivatives that do not qualify for hedge accounting*

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

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

The fair value of financial assets and financial liabilities quoted in an active market corresponds to their quoted price, classified as level 1 in the fair value hierarchy defined in IFRS 7. The fair value of financial assets and financial liabilities not quoted in an active market is established by a recognized valuation technique such as reference to the fair value of another recent and similar transaction, or discounted cash flow analysis based on observable market data, classified as level 2 in the IFRS 7 fair value hierarchy.

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

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

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

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

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

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

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

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

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

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

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

Contributions to defined contribution plans are expensed as incurred.

## Employee benefits – share-based payments

- *Stock-options 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 of extreme share price volatility 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 effect of any stock market performance conditions, which is taken into account in the initial measurement of the plan cost under IFRS 2.

The cost calculated using this method is recognized in the income statement over the vesting period of the options, ranging from 3 to 4 years.

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

- *Group Savings Plan (“PEG”)*

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 the Saint-Gobain Group, 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.

Leveraged plan costs are calculated under IFRS 2 in the same way as for non-leveraged plans, but also take into account the advantage accruing to employees who have access to share prices with a volatility profile adapted to institutional investors.

The cost of the plans is recognized in full at the end of the subscription period.

- *Performance share grants*

The Group set up a worldwide share grant plan in 2009 whereby each Group employee was awarded seven shares, and performance share plans in 2009 and 2010 for certain categories of employees. These plans are subject to eligibility criteria based on the grantee’s period of service with the Group. The plan costs calculated under IFRS 2 take into account the eligibility criteria, the performance criteria – which are described in Note 13 – and the lock-up feature. They are determined after deducting the present value of forfeited dividends on the performance shares and are recognized over the vesting period, which ranges from 2 to 4 years depending on the country.

## Equity

- *Additional paid-in capital and legal reserve*

This item includes capital contributions in excess of the par value of capital stock as well as the legal reserve which corresponds to a cumulative portion of the net income of Compagnie de Saint-Gobain.

- *Retained earnings and net income for the year*

Retained earnings and net income for the year correspond to the Group's share in the undistributed earnings of all consolidated companies.

- *Treasury stock*

Treasury stock is measured at cost and recorded as a deduction from equity. Gains and losses on disposals of treasury stock are recognized directly in equity and have no impact on net income for the period.

Forward purchases of treasury stock are treated in the same way. When a fixed number of shares is purchased forward at a fixed price, this amount is recorded in "Other liabilities" and as a deduction from equity under "Retained earnings and net income for the year".

## 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.

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 and any subsequent changes in the fair value of minority shareholder puts are recognized by adjusting equity.

## **INCOME STATEMENT ITEMS**

### **Revenue recognition**

Revenue generated by the sale of goods or services is recognized net of rebates, discounts and sales taxes (i) when the risks and rewards of ownership have been transferred to the customer, or (ii) when the service has been rendered, or (iii) by reference to the stage of completion of the services to be provided.

Construction contracts are accounted for using the percentage of completion method, as explained below. When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the balance sheet date. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recovered. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Construction contract revenues are not material in relation to total consolidated net sales.

### **Operating income**

Operating income is a measure of the performance of the Group's business sectors and has been used by the Group as its key external and internal management indicator for many years. Foreign exchange gains and losses are included in operating income, as are changes in the fair value of financial instruments that do not qualify for hedge accounting when they relate to operating items.

### **Other business income and expense**

Other business income and expense mainly include movements in provisions for claims and litigation and environmental provisions, gains and losses on disposals of assets, impairment losses, restructuring costs incurred upon the disposal or discontinuation of operations and the costs of workforce reduction measures.

### **Business income**

Business income includes all income and expenses other than borrowing costs and other financial income and expense, the Group's share in net income of associates, and income taxes.

### **Net financial expense**

Net financial expense includes borrowing and other financing costs, income from cash and cash equivalents, interest cost for pension and other post-employment benefit plans, net of the return on plan assets, and other financial income and expense such as exchange gains and losses and bank charges.

### **Income taxes**

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

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

Deferred tax assets are recognized only if it is considered probable that there will be sufficient future taxable income against which the temporary difference can be utilized. They are reviewed at each balance sheet date and written down to the extent that it is no longer probable that there will be sufficient taxable income against which the temporary difference can be utilized. In determining whether to recognize deferred tax assets for tax loss carryforwards, the Group applies a range of criteria that take into account the probable recovery period based on business plan projections and the strategy for the long-term recovery of tax losses applied in each country.

No deferred tax liability is recognized in respect of undistributed earnings of subsidiaries that are not intended to be distributed.

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

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

### **Earnings per share**

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

Diluted earnings per share are calculated by adjusting earnings per share (see Note 25) and the average number of shares in issue for the effects of all dilutive potential common shares, such as stock options and convertible bonds. The calculation is performed using the treasury stock method, which assumes that the proceeds from the exercise of dilutive instruments are assigned on a priority basis to the purchase of common shares in the market.

### **Recurring net income**

Recurring net income corresponds to income after tax and minority interests but before capital gains or losses, asset impairment losses, material non-recurring provisions and the related tax and minority interests.

The method used for calculating recurring net income is explained in Note 24.



## **PERFORMANCE INDICATORS**

### **EBITDA**

EBITDA corresponds to operating income before depreciation and amortization.

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

### **Return on capital employed**

Return on capital employed (ROCE) corresponds to annualized operating income adjusted for changes in the scope of consolidation, expressed as a percentage of total assets at the period-end. Total assets include net property, plant and equipment, working capital, net goodwill and other intangible assets, but exclude deferred tax assets arising from non-amortizable brands and land.

### **Cash flow from operations**

Cash flow from operations corresponds to net cash generated from operating activities before the impact of changes in working capital requirement, changes in current taxes and movements in provisions for other liabilities and charges and deferred taxes. Cash flow from operations is adjusted for the effect of material non-recurring provision charges.

The method used for calculating cash flow from operations is explained in Note 24.

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

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

The method used for calculating cash flow from operations before tax on capital gains and losses and non-recurring provisions is explained in Note 24.

## **SEGMENT INFORMATION**

In compliance with IFRS 8, segment information reflects the Group's internal presentation of operating results to senior management. The Group has chosen to present segment information by Sector and Division, without any further aggregation compared with the internal presentation. There were no changes in the presentation of segment information in 2011 compared with prior years.

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

	France	Outside France	Total
<b><u>Fully consolidated companies</u></b>			
<b>At January 1, 2011</b>	<b>179</b>	<b>878</b>	<b>1,057</b>
Newly consolidated companies	5	25	30
Merged companies	(10)	(134)	(144)
Deconsolidated companies	(1)	(2)	(3)
Change in consolidation method		1	1
<b>At December 31, 2011</b>	<b>173</b>	<b>768</b>	<b>941</b>
<b><u>Proportionately consolidated companies</u></b>			
<b>At January 1, 2011</b>	<b>2</b>	<b>23</b>	<b>25</b>
Newly consolidated companies		3	3
Deconsolidated companies			0
Change in consolidation method		1	1
<b>At December 31, 2011</b>	<b>2</b>	<b>27</b>	<b>29</b>
<b><u>Companies accounted for by the equity method</u></b>			
<b>At January 1, 2011</b>	<b>7</b>	<b>49</b>	<b>56</b>
Newly consolidated companies		29	29
Merged companies		(3)	(3)
Deconsolidated companies	(1)	(2)	(3)
Change in consolidation method		(2)	(2)
<b>At December 31, 2011</b>	<b>6</b>	<b>71</b>	<b>77</b>
<b>TOTAL at January 1, 2011</b>	<b>188</b>	<b>950</b>	<b>1,138</b>
<b>TOTAL at December 31, 2011</b>	<b>181</b>	<b>866</b>	<b>1,047</b>

**Significant changes in Group structure****2011**

On November 30, 2011, the Group's Abrasives Division expanded its presence in South America by acquiring Abrasivos Argentinos S.A. and Dancan S.A. and their subsidiaries. The two groups are specialized in the production of coated abrasives and masking tapes. They have been consolidated as from December 1, 2011.

On August 11, 2011, the Group signed an agreement with Belgian group Bekaert for the whole acquisition of its Specialty Films subsidiaries. This business, operating under the name Solar Gard, is specialized in the development, manufacturing and distribution of coated films used on the habitat market, the automotive market and various industrial applications. The Solar Gard subsidiaries have been consolidated as from November 1, 2011.

On July 25, 2011, the Group signed an agreement with UK building materials distributor Wolseley for the acquisition of its British Build Center network. This business has been consolidated as from November 1, 2011.

On May 31, 2011, Saint-Gobain announced that it had signed an agreement to acquire Sezal Glass Limited's float glass business in India. The business was consolidated at June 30, 2011.

In first-half 2011, Saint-Gobain signed an agreement for the buy-out of Alver by the Group's Packaging Sector (Verallia). A State-owned company, Alver is one of Algeria's leading glass packaging manufacturers and distributors. It has been consolidated as from the second half of 2011.

On June 20, 2011, Saint-Gobain announced the postponement of the initial public offering of a minority interest in Verallia due to very adverse market conditions.

## **2010**

During the 1<sup>st</sup> semester of 2010, the Group acquired a 43.7% interest in Japanese insulation company MAG from Japan-based Taiheiyo Cement Corporation. Previously consolidated on a proportionate basis, MAG has been fully consolidated since April 1, 2010. This transaction was treated as a step acquisition under the provisions of IFRS 3R, the application of which had no material impact on either the consolidated balance sheet or the income statement. A further 10% stake was acquired in the second half of the year, raising the Group's interest in the company to 97.4%.

In December 2010, the Group acquired a 50% interest in Sage Electrochromics, which was consolidated by the proportionate method as from December 1. The provisional accounting for the business combination was completed and the final goodwill amount was determined during 2011.

Also in 2010, an agreement was signed for the sale of the advanced ceramics business to US-based CoorsTek, subject to approval of the transaction by the relevant authorities. The business was classified in assets and liabilities held for sale from June 28, 2010, the date when the sale process was announced. The disposal was completed on December 31, 2010 for an amount of approximately \$245 million, following anti-trust approval.

## Impact on the consolidated balance sheet

The impact on the balance sheet at December 31, 2011 of changes in Group structure and in consolidation methods was as follows:

<i>(in EUR millions)</i>	<b>Companies consolidated for the first time</b>	<b>Companies removed from the scope of consolidation</b>	<b>Total</b>
<b>Impact on assets</b>			
Non-current assets	556	(19)	537
Inventories	106	(22)	84
Trade accounts receivable	119	(7)	112
Other current assets excluding cash and cash equivalents	15	(4)	11
	<b>796</b>	<b>(52)</b>	<b>744</b>
<b>Impact on equity and liabilities</b>			
Shareholders' equity and minority interests	1	(30)	(29)
Provisions for pensions and other employee benefits	2		2
Non-current liabilities	8		8
Trade accounts payable	42	(8)	34
Other payables and accrued expenses	34	(5)	29
	<b>87</b>	<b>(43)</b>	<b>44</b>
<b>Enterprise value of consolidated companies acquired/divested (a)</b>	<b>709</b>	<b>(9)</b>	<b>700</b>
<b>Impact on consolidated net debt*</b>			
Impact on cash and cash equivalents	21	(6)	15
Impact on net debt excluding cash and cash equivalents (b)	43	(1)	42
	<b>22</b>	<b>5</b>	<b>27</b>
<b>Acquisitions/disposals of shares in consolidated companies net of cash acquired/divested (a) - (b)</b>	<b>666</b>	<b>(8)</b>	<b>658</b>

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

**NOTE 3 – GOODWILL**

	<b>2011</b>	<b>2010</b>
<i>(in EUR millions)</i>		
<b>At January 1</b>		
Gross value	11,560	11,178
Accumulated impairment	(530)	(438)
<b>Net</b>	<b>11,030</b>	<b>10,740</b>
<b>Movements during the year</b>		
Changes in Group structure	248	(19)
Impairment	(309)	(87)
Translation adjustments	72	396
<b>Total</b>	<b>11</b>	<b>290</b>
<b>At December 31</b>		
Gross value	11,903	11,560
Accumulated impairment	(862)	(530)
<b>Net</b>	<b>11,041</b>	<b>11,030</b>

In 2011, movements in goodwill primarily reflected (i) changes in the scope of consolidation, with the acquisition of Solar Gard by the Innovative Materials Sector and Build Center by the Building Distribution Sector, and (ii) the impairment of goodwill on Gypsum Division in North America and on Building Distribution Sector.

In 2010, movements in goodwill mainly corresponded to the €396 million increase in translation adjustments, primarily concerning the US dollar and the pound sterling. Impairments for the period primarily concerned the Building Distribution Sector.

**NOTE 4 – OTHER INTANGIBLE ASSETS**

	Patents	Non-amortizable brands	Software	Development costs	Other	Total
<i>(in EUR millions)</i>						
<b>At January 1, 2010</b>						
Gross value	114	2,674	737	62	273	3,860
Accumulated amortization and impairment	(98)		(561)	(35)	(168)	(862)
<b>Net</b>	<b>16</b>	<b>2,674</b>	<b>176</b>	<b>27</b>	<b>105</b>	<b>2,998</b>
<b>Movements during the year</b>						
Changes in Group structure	5		6	(4)	9	16
Acquisitions			49	4	17	70
Disposals			(2)		(2)	(4)
Translation adjustments	1	73	7		8	89
Amortization and impairment	(2)		(80)	(9)	(11)	(102)
<b>Total movements</b>	<b>4</b>	<b>73</b>	<b>(20)</b>	<b>(9)</b>	<b>21</b>	<b>69</b>
<b>At December 31, 2010</b>						
Gross value	124	2,747	798	60	301	4,030
Accumulated amortization and impairment	(104)		(642)	(42)	(175)	(963)
<b>Net</b>	<b>20</b>	<b>2,747</b>	<b>156</b>	<b>18</b>	<b>126</b>	<b>3,067</b>
<b>Movements during the year</b>						
Changes in Group structure	13		10		24	47
Acquisitions	3		59	19	11	92
Disposals			(1)			(1)
Translation adjustments		31	(1)	1		31
Amortization and impairment	(3)		(70)	(6)	(9)	(88)
<b>Total movements</b>	<b>13</b>	<b>31</b>	<b>(3)</b>	<b>14</b>	<b>26</b>	<b>81</b>
<b>At December 31, 2011</b>						
Gross value	141	2,778	834	80	334	4,167
Accumulated amortization and impairment	(108)		(681)	(48)	(182)	(1,019)
<b>Net</b>	<b>33</b>	<b>2,778</b>	<b>153</b>	<b>32</b>	<b>152</b>	<b>3,148</b>

The “Other” column includes amortizable manufacturing brands totaling €45 million at December 31, 2011 (December 31, 2010: €47 million).

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

	Land and quarries	Buildings	Machinery and equipment	Assets under construc- tion	Total
<i>(in EUR millions)</i>					
<b>At January 1, 2010</b>					
Gross value	2,188	7,921	19,842	1,034	30,985
Accumulated depreciation and impairment	(350)	(4,021)	(13,304)	(10)	(17,685)
<b>Net</b>	<b>1,838</b>	<b>3,900</b>	<b>6,538</b>	<b>1,024</b>	<b>13,300</b>
<b>Movements during the year</b>					
Changes in Group structure and reclassifications	93	(12)	(20)	2	63
Acquisitions	52	82	299	1,020	1,453
Disposals	(23)	(41)	(38)	(6)	(108)
Translation adjustments	76	155	301	53	585
Depreciation and impairment	(33)	(300)	(1,196)	(37)	(1,566)
Transfers		221	836	(1,057)	0
<b>Total movements</b>	<b>165</b>	<b>105</b>	<b>182</b>	<b>(25)</b>	<b>427</b>
<b>At December 31, 2010</b>					
Gross value	2,397	8,338	21,047	1,042	32,824
Accumulated depreciation and impairment	(394)	(4,333)	(14,327)	(43)	(19,097)
<b>Net</b>	<b>2,003</b>	<b>4,005</b>	<b>6,720</b>	<b>999</b>	<b>13,727</b>
<b>Movements during the year</b>					
Changes in Group structure and reclassifications	22	126	94	(4)	238
Acquisitions	73	100	333	1,448	1,954
Disposals	(31)	(29)	(38)	(4)	(102)
Translation adjustments	8	(33)	(59)	(13)	(97)
Depreciation and impairment	(33)	(296)	(1,161)	(5)	(1,495)
Transfers		132	812	(944)	0
<b>Total movements</b>	<b>39</b>	<b>0</b>	<b>(19)</b>	<b>478</b>	<b>498</b>
<b>At December 31, 2011</b>					
Gross value	2,462	8,529	21,660	1,518	34,169
Accumulated depreciation and impairment	(420)	(4,524)	(14,959)	(41)	(19,944)
<b>Net</b>	<b>2,042</b>	<b>4,005</b>	<b>6,701</b>	<b>1,477</b>	<b>14,225</b>

Acquisitions of property, plant and equipment during 2011 included assets acquired under finance leases for an amount of €18 million (2010: €3 million). These finance leases are not included in the cash flow statement, in accordance with IAS 7. At December 31, 2011, total property, plant and equipment acquired under finance leases amounted to €119 million (December 31, 2010: €130 million) (see Note 26).

**NOTE 6 – INVESTMENTS IN ASSOCIATES**

<i>(in EUR millions)</i>	<b>2011</b>	<b>2010</b>
<b>At January 1</b>		
Equity in associates	120	105
Goodwill	17	18
<b>Investments in associates</b>	<b>137</b>	<b>123</b>
<b>Movements during the year</b>		
Changes in Group structure	31	0
Translation adjustments	(3)	9
Transfers, share issues and other movements	0	3
Dividends paid	(6)	(3)
Share in net income of associates	8	5
<b>Total movements</b>	<b>30</b>	<b>14</b>
<b>At December 31</b>		
Equity in associates	129	120
Goodwill	38	17
<b>Investments in associates</b>	<b>167</b>	<b>137</b>

Investments in associates include shares in Compania Industrial El Volcan, which is listed on the Santiago de Chile stock exchange. At December 31, 2011, the market value of the shares was higher than the carrying amount of the Group's equity in the company's net assets.

Changes in scope of consolidation correspond for the most part to previously fully consolidated companies that were accounted for by the equity method in 2011 following the Group's loss of exclusive control.

Net sales recorded in the individual financial statements of associates totaled €858 million in 2011 (2010: €799 million) and their aggregate net income totaled €27 million (2010: €17 million). At December 31, 2011, total assets and liabilities of these companies amounted to €941 million and €489 million, respectively (December 31, 2010: €873 million and €467 million).



**NOTE 7 – OTHER NON-CURRENT ASSETS**

	Available-for- sale and other securities	Capitalized loans and deposits	Pension plan surpluses	Total
<i>(in EUR millions)</i>				
<b>At January 1, 2010</b>				
Gross value	59	231	96	386
Provisions for impairment in value	(31)	(43)		(74)
<b>Net</b>	<b>28</b>	<b>188</b>	<b>96</b>	<b>312</b>
<b>Movements during the year</b>				
Changes in Group structure	(3)			(3)
Increases/(decreases)	(4)	15	(60)	(49)
Movements in provisions for impairment in value	(1)	(3)		(4)
Translation adjustments	5	8	1	14
Transfers and other movements		2		2
<b>Total movements</b>	<b>(3)</b>	<b>22</b>	<b>(59)</b>	<b>(40)</b>
<b>At December 31, 2010</b>				
Gross value	43	218	37	298
Provisions for impairment in value	(18)	(8)		(26)
<b>Net</b>	<b>25</b>	<b>210</b>	<b>37</b>	<b>272</b>
<b>Movements during the year</b>				
Changes in Group structure	8	(1)		7
Increases/(decreases)	(4)	70	14	80
Movements in provisions for impairment in value	(1)	(1)		(2)
Translation adjustments		(8)	1	(7)
Transfers and other movements	1	(4)		(3)
<b>Total movements</b>	<b>4</b>	<b>56</b>	<b>15</b>	<b>75</b>
<b>At December 31, 2011</b>				
Gross value	48	273	52	373
Provisions for impairment in value	(19)	(7)		(26)
<b>Net</b>	<b>29</b>	<b>266</b>	<b>52</b>	<b>347</b>

The change in impairment provisions on other non-current assets in 2011 reflects €3 million in additions (2010: €6 million) and €1 million in reversals (2010: €2 million).

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

**NOTE 8 – INVENTORIES**

<i>(in EUR millions)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
<b>Gross value</b>		
Raw materials	1,634	1,489
Work in progress	279	253
Finished goods	5,027	4,550
<b>Gross inventories</b>	<b>6,940</b>	<b>6,292</b>
<b>Provisions for impairment in value</b>		
Raw materials	(132)	(125)
Work in progress	(8)	(6)
Finished goods	(323)	(320)
<b>Provisions for impairment in value</b>	<b>(463)</b>	<b>(451)</b>
<b>Net</b>	<b>6,477</b>	<b>5,841</b>

In 2011, cost of sales came to €31,763 million (2010: €30,059 million).

Impairment losses on inventories recorded in the 2011 income statement totaled €138 million (2010: €105 million). Impairment reversals, due to increases in the net realizable value of inventories, amounted to €111 million in 2011 (2010: €78 million) and were recorded as a deduction from impairment losses for the year.

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

<i>(in EUR millions)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Gross value	5,821	5,530
Provisions for impairment in value	(480)	(492)
<b>Trade accounts receivable</b>	<b>5,341</b>	<b>5,038</b>
Advances to suppliers	550	476
Prepaid payroll taxes	25	25
Other prepaid and recoverable taxes (other than income tax)	380	385
Other	456	369
France	100	82
Other Western European countries	168	144
North America	19	26
Emerging countries and Asia	169	117
Provisions for impairment in value	(3)	(7)
<b>Other receivables</b>	<b>1,408</b>	<b>1,248</b>

The change in impairment provisions for trade accounts receivable in 2011 reflects €87 million in additions (2010: €72 million) and €101 million in reversals (2010: €90 million) – resulting from recoveries as well as write-offs. Bad debt write-offs are also reported under this caption, for €94 million (2010: €102 million).

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

The Group considers that its exposure to concentrations of credit risk is limited due to its diversified business line-up, broad customer base and global presence. Past-due trade receivables are regularly monitored and analyzed, and provisions are set aside when appropriate. Net past-due trade receivables amounted to €843 million at December 31, 2011, after deducting provisions of €411 million (December 31, 2010: €879 million, after deducting provisions of €411 million), including €198 million over three months past due (December 31, 2010: €196 million).

**NOTE 10 – EQUITY****Number of shares outstanding**

At December 31, 2011, Compagnie de Saint-Gobain's capital stock comprised 535,563,723 shares of common stock with a par value of €4 each, all in the same class (December 31, 2010: 530,836,441 shares).

During 2011, 4,497,772 new shares were issued to members of the 2011 Group Savings Plan at a price of €33.42, representing total proceeds of €150 million

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

- Grant stock options exercisable for shares representing up to 3% of capital stock on the Meeting date, i.e. 14,972,627 options exercisable for the same number of shares (19th resolution/38-month authorization commencing June 4, 2009).
- Make performance share grants representing up to 1% of the capital stock on the Meeting date, i.e. grants of 4,990,875 shares (20th resolution/38-month authorization commencing June 4, 2009). If this authorization were to be used, the performance shares would be deducted from the shares available for the stock option plan.

The Board of Directors used these authorizations (i) on November 19, 2009 to grant 1,479,460 stock options and an estimated 1,982,750 performance shares, (ii) on November 18, 2010 to grant 1,144,730 stock options and an estimated 737,550 performance shares and (iii) on November 24, 2011 to grant 482,150 stock options and an estimated 942,920 performance shares.

At the Annual General Meeting of June 9, 2011, shareholders authorized the Board of Directors of Compagnie de Saint-Gobain to:

- Issue, on one or several occasions, up to 106,250,000 new shares with or without pre-emptive or priority subscription rights for existing shareholders (10th to 14th resolutions/26-month authorization commencing June 9, 2011).
- Issue, on one or several occasions, up to 13,270,000 new shares to members of the Group Savings Plan (15th resolution/26-month authorization commencing June 9, 2011).

If all outstanding stock options were to be exercised and all outstanding performance shares were to vest, with the issue of new shares, this would potentially have the effect of increasing the number of shares outstanding to 563,918,751. In addition, if the authorizations described above were to be used in full, this would potentially have the effect of increasing the number of shares outstanding to 691,641,818.

At the Annual General Meeting of June 9, 2011, the Board of Directors was also authorized to issue stock warrants in the event of a public tender offer for the Company's shares, in accordance with the French Act of March 31, 2006 on takeover bids (17th resolution). Under this authorization, the Group may issue up to €531 million worth of stock (excluding premiums), representing 132,700,000 shares.

### **Treasury stock**

Saint-Gobain shares held by Compagnie de Saint-Gobain and Saint-Gobain Corporation are shown as a deduction from shareholders' equity under "Treasury stock" at historical cost. At December 31, 2011, 9,358,027 shares were held in treasury (December 31, 2010: 5,113,897).

In 2011, 10,180,347 shares were bought back on the market (2010: 1,105,161) and 5,936,217 shares were sold upon exercise stock options (2010: 461,473). No shares were cancelled in either 2011 or 2010.

The liquidity contract set up with Exane BNP Paribas on November 16, 2007 was rolled over in 2011 and 2010. This contract complies with the Code of Ethics adopted by the Association Française des Entreprises d'Investissement (AFEI) recognized by the Autorité des Marchés Financiers (AMF). During 2011, 5,578,490 shares were purchased under the contract (2010: 5,008,989 shares) for a total of €214 million and 5,440,041 shares were sold (2010: 4,996,279 shares) for a total of €213 million. In view of their highly liquid nature, funds allocated to the liquidity contract but not invested in Saint-Gobain stock are classified as cash and cash equivalents.

**NOTE 11 – STOCK OPTION PLANS**

Compagnie de Saint-Gobain has stock option plans available to certain employees.

Stock options are exercisable for Saint-Gobain shares at a price based on the average share price for the 20 trading days preceding the grant date. Since 1999, no stock options have been granted at a discount to the average price.

Since the November 2007 plan, all stock options are subject to a four-year vesting period. Under earlier plans, the vesting period was three years for non-residents and four years for tax residents. Options must be exercised within ten years of the date of grant. All rights to options are forfeited if the holder leaves the Group, unless expressly agreed otherwise by both the Chairman and Chief Executive Officer of Compagnie de Saint-Gobain and the Appointments Committee of the Board of Directors.

The options granted in 2002 were exercisable for existing shares, while those granted between 2003 and 2007 were exercisable for new shares. For plans launched since 2008, the origin of the shares is determined at the latest at the end of the four-year vesting period. If an option holder were to die or any of the events provided for in the General Tax Code were to occur during the four-year vesting period, only options exercisable for new shares would vest.

Until 2008, options were subject to a performance condition for certain categories of grantees. The 2009, 2010 and 2011 plans are subject to a performance condition for all grantees. For options granted in 2010 and 2011, the vesting condition is based on stock market performance.

Movements relating to stock options outstanding in 2010 and 2011 are summarized below:

	EUR 4 par value shares	Average exercise price (in EUR )
<b>Options outstanding at January 1, 2010</b>	<b>28,663,342</b>	<b>41.23</b>
Options granted	1,144,730	35.19
Options exercised	(511,541)	32.74
Options forfeited	(547,883)	34.11
<b>Options outstanding at December 31, 2010</b>	<b>28,748,648</b>	<b>41.27</b>
Options granted	482,150	31.22
Options exercised	(724,853)	33.84
Options forfeited	(2,706,502)	38.97
<b>Options outstanding at December 31, 2011</b>	<b>25,799,443</b>	<b>41.54</b>

Including 1,473,356 options under the 2001 plan which expired on November 21, 2011 and 1,233,146 options under the 2007 and 2008 plans that were cancelled due to the performance targets not being met.

Stock option expense recorded in the income statement amounted to €14 million in 2011 (2010: €26 million). The fair value of options granted in 2011 amounted to €1 million.

The table below summarizes information about stock options outstanding at December 31, 2011:

Grant date	Options exercisable			Options not exercisable		Total options outstanding	Type of options
	Exercise price (in EUR )	Number of options	Weighted average contractual life (in months)	Exercise price (in EUR )	Number of options	Number of options	
2002	21.28	1,106,802	11			1,106,802	Purchase
2003	32.26	2,719,431	23			2,719,431	Subscription
2004	39.39	3,955,094	35			3,955,094	Subscription
2005	41.34	4,051,181	47			4,051,181	Subscription
2006	52.52	4,306,454	59			4,306,454	Subscription
2007	64.72	3,403,171	71			3,403,171	Subscription
2008			83	25.88	3,151,370	3,151,370	Subscription or Purchase
2009			95	36.34	1,479,060	1,479,060	Subscription or Purchase
2010			107	35.19	1,144,730	1,144,730	Subscription or Purchase
2011			119	31.22	482,150	482,150	Subscription or Purchase
<b>Total</b>		<b>19,542,133</b>			<b>6,257,310</b>	<b>25,799,443</b>	

At December 31, 2011, 19,542,133 stock options were exercisable (at an average price of €45.08) and 6,257,310 options (average price €30.47) had not yet vested.

## NOTE 12 – GROUP SAVINGS PLAN ("PEG")

The PEG Group Savings Plan is an employee stock purchase plan open to all Group employees in France and in most other countries where the Group does business. Eligible employees must have completed a minimum of three months' service with the Group. The purchase price of the shares, as set by the Chairman and 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 2011, the Group issued 4,497,772 shares with a par value of €4 (2010: 4,993,989 shares) to members of the PEG, for a total of €150 million (2010: €143 million).

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

- *Standard plans*

Under the standard plans, eligible employees are offered the opportunity to invest in Saint-Gobain stock at a 20% discount. The stock is subject to a five or ten-year lock-up, except following the occurrence of certain events. The compensation cost recorded in accordance with IFRS 2 is measured by reference to the fair value of a discount offered on restricted stock (i.e. stock subject to a lock-up). The cost of the lock-up for the employee is defined as the cost of a two-step strategy that involves first selling the restricted stock forward five or ten years and then purchasing the same number of shares on the spot market and financing the purchase with debt. The borrowing cost is estimated at the rate that would be charged by a bank to an individual with an average risk profile for a general purpose five- or ten-year consumer loan repayable at maturity (see Note 1 for details of the calculation).

The standard plan cost recorded in the income statement amounted to €6.7 million in 2011 (2010: €2.8 million), net of the lock-up cost for employees of €20.6 million (2010: €21.1 million).

The following table shows the main features of the standard plans, the amounts invested in the plans and the valuation assumptions applied in 2011 and 2010.

	2011	2010
<b>Plan characteristics</b>		
Grant date	28 March	29 March
Plan duration (in years)	5 or 10	5 or 10
Benchmark price (in EUR )	41.77	35.87
Purchase price (in EUR )	33.42	28.70
Discount (in %)	20.00%	20.00%
(a) Total discount on the grant date (in %)	22.50%	20.12%
Employee investments (EUR millions)	150.3	143.3
Total number of shares purchased	4,497,772	4,993,989
<b>Valuation assumptions</b>		
Interest rate paid by employees (1)	6.50%	6.33%
5-year risk-free interest rate	2.86%	2.29%
Repo rate	0.40%	0.25%
(b) Lock-up discount (in %)	16.97%	17.73%
Total cost to the Group (in % ) (a-b)	5.53%	2.39%

(1) A 0.5-point decline in borrowing costs for the employee would have an impact of €2.2 million on the 2011 cost as calculated in accordance with IFRS 2.

- *Leveraged plan*

No leveraged plans were set up in 2011 or 2010.

## NOTE 13 – PERFORMANCE SHARE PLANS

Various performance share plans have been set up by Saint-Gobain since 2009. As of December 31, 2011, four such plans were outstanding:

- A worldwide plan authorized by Saint-Gobain's Board of Directors on November 19, 2009 whereby eligible employees and officers of the Group in France and abroad were each awarded seven performance shares. The shares are subject to a performance condition and will be forfeited if the grantee leaves the Group before the end of the vesting period. In all, an estimated 1,359,960 performance shares may vest under the plan, as follows:
  - For eligible Group employees in France, Spain and Italy, the vesting period will end on March 29, 2012 and the shares will be delivered on March 30, 2012. The vesting period will be followed by a two-year lock-up, such that the shares may not be sold until March 31, 2014 except in the case of the grantee's death or disability;
  - For eligible Group employees in all other countries, the vesting period will end on March 30, 2014 and the shares will be delivered on March 31, 2014. No lock-up period will apply.
- A performance share plan for certain managers and senior executives of the Saint-Gobain Group in France and abroad authorized by the Board of Directors on November 19, 2009. The shares are subject to a performance condition and will be forfeited if the grantee leaves the Group before the end of the vesting period. In all, 622,790 performance shares have been awarded. Except for the performance targets, the plan terms and conditions are the same as for the worldwide performance share plan for all employees.

- A performance share plan for certain managers and senior executives of the Saint-Gobain Group in France and abroad authorized by the Board of Directors on November 18, 2010. The shares are subject to a performance condition and will be forfeited if the grantee leaves the Group before the end of the vesting period. In all, an estimated 737,550 performance shares may vest under the plan, as follows:
  - For eligible Group employees in France, the vesting period will end on March 29, 2013 and the shares will be delivered on March 30, 2013. The vesting period will be followed by a two-year lock-up, such that the shares may not be sold until March 31, 2015 except in the case of the grantee's death or disability;
  - For eligible Group employees outside France, the vesting period will end on March 30, 2015 and the shares will be delivered on March 31, 2015. No lock-up period will apply.
- A performance share plan for certain managers and senior executives of the Saint-Gobain Group in France and abroad authorized by the Board of Directors on November 24, 2011. The shares are subject to a performance condition and will be forfeited if the grantee leaves the Group before the end of the vesting period. In all, 942,920 performance shares may vest under the plan, as follows:
  - For eligible Group employees in France, the vesting period will end on March 29, 2014 and the shares will be delivered on March 30, 2014. The vesting period will be followed by a two-year lock-up, such that the shares may not be sold until March 30, 2016 except in the case of the grantee's death or disability;
  - For eligible Group employees outside France, the vesting period will end on March 30, 2016 and the shares will be delivered on March 31, 2016. No lock-up period will apply.

The table below shows changes in the number of performance share rights:

	<b>Number of rights</b>
<b>Number of performance share rights at December 31, 2009</b>	<b>1,982,750</b>
Performance share rights granted in November 2010	737,550
Shares issued/delivered	0
Lapsed and canceled rights	0
<b>Number of performance share rights at December 31, 2010</b>	<b>2,720,300</b>
Performance share rights granted in November 2011	942,920
Shares issued/delivered	(833)
Lapsed and canceled rights	0
<b>Number of performance share rights at December 31, 2011</b>	<b>3,662,387</b>

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

The cost recorded in the income statement for those two plans amounted to €18 million in 2011 (2010: €3 million).



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

<i>(in EUR millions)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Pensions	2,544	2,107
Length-of-service awards	237	224
Post-employment healthcare benefits	504	412
<b>Total provisions for pensions and other post-employment benefit obligations</b>	<b>3,285</b>	<b>2,743</b>
Healthcare benefits	46	49
Long-term disability benefits	29	30
Other long-term benefits	98	108
<b>Provisions for pensions and other employee benefits</b>	<b>3,458</b>	<b>2,930</b>

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

<i>(in EUR millions)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Provisions for pensions and other post-employment benefit obligations	3,285	2,743
Pension plan surpluses	(52)	(37)
<b>Net pension and other post-employment benefit obligations</b>	<b>3,233</b>	<b>2,706</b>

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

	Pension and other post- employment benefit obligations	Fair value of plan assets	Other	Net pension and other post- employment benefit obligations
<i>(in EUR millions)</i>				
<b>At January 1, 2010</b>	<b>7,999</b>	<b>(5,384)</b>	<b>72</b>	<b>2,687</b>
<b>Movements during the year</b>				
Service cost	174			174
Interest cost/return on plan assets	454	(355)		99
Contributions to pension		(375)		(375)
Employee contributions		(21)		(21)
Actuarial gains and losses and asset ceiling	330	(180)	(8)	142
Currency translation adjustment	367	(247)	2	122
Benefit payments	(429)	346		(83)
Past service cost	8			8
Changes in Group structure	10	(5)		5
Curtailments/settlements	(21)			(21)
Other		(3)	(28)	(31)
<b>Total movements</b>	<b>893</b>	<b>(840)</b>	<b>(34)</b>	<b>19</b>
<b>At December 31, 2010</b>	<b>8,892</b>	<b>(6,224)</b>	<b>38</b>	<b>2,706</b>
<b>Movements during the year</b>				
Service cost	180			180
Interest cost/return on plan assets	438	(415)		23
Contributions to pension		(239)		(239)
Employee contributions		(19)		(19)
Actuarial gains and losses and asset ceiling	595	112	(3)	704
Currency translation adjustment	236	(159)		77
Benefit payments	(451)	362		(89)
Past service cost	(86)			(86)
Changes in Group structure	2			2
Curtailments/settlements	(22)	5		(17)
Other	36	(16)	(29)	(9)
<b>Total movements</b>	<b>928</b>	<b>(369)</b>	<b>(32)</b>	<b>527</b>
<b>At December 31, 2011</b>	<b>9,820</b>	<b>(6,593)</b>	<b>6</b>	<b>3,233</b>

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

<b>December 31, 2011</b> <i>(in EUR millions)</i>	<b>France</b>	<b>Other Western European countries</b>	<b>North America</b>	<b>Rest of the World</b>	<b>Net total</b>
Defined benefit obligation - funded plans	403	5,210	3,026	139	8,778
Defined benefit obligation - unfunded plans	227	268	507	40	1,042
Fair value of plan assets	(182)	(4,363)	(1,942)	(106)	(6,593)
Deficit/(surplus)	448	1,115	1,591	73	3,227
Asset ceiling					6
Insured plans					0
<b>Net pension and other post-employment benefit obligations</b>					<b>3,233</b>
<b>December 31, 2010</b> <i>(in EUR millions)</i>	<b>France</b>	<b>Other Western European countries</b>	<b>North America</b>	<b>Rest of the World</b>	<b>Net total</b>
Defined benefit obligation - funded plans	399	4,941	2,506	129	7,975
Defined benefit obligation - unfunded plans	214	269	400	34	917
Fair value of plan assets	(182)	(4,178)	(1,770)	(94)	(6,224)
Deficit/(surplus)	431	1,032	1,136	69	2,668
Asset ceiling					9
Insured plans					29
<b>Net pension and other post-employment benefit obligations</b>					<b>2,706</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 defined benefit 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 €173 million at December 31, 2011 (December 31, 2010: €187 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 defined benefit obligation is generally calculated on an actuarial basis using the same rules as for pension obligations.

## **Measurement of pension and other post-employment benefit obligations**

Pensions and other post-employment benefit obligations are determined on an actuarial basis using the projected unit credit method, based on estimated final salaries.

The Group's total pension and other post-employment benefit obligations amounted to €9,820 million at December 31, 2011 (December 31, 2010: €8,892 million).

## **Plan assets**

For defined benefit plans, plan assets have been progressively built up by contributions, primarily in the United States, the United Kingdom and Germany. Contributions paid by the Group totaled €239 million in 2011 (2010: €375 million). The actual return on plan assets came to €303 million for the year (2010: €535 million).

The fair value of plan assets – which came to €6,598 million at December 31, 2011 (December 31, 2010: €6,224 million) – is deducted from the Group's defined benefit obligation, as estimated using the projected unit credit method, in order to calculate the unfunded obligation to be covered by a provision.

Plan assets are mainly composed of equities (42%) and bonds (37%), with the remaining 21% invested in other asset classes.

Projected contributions to pension plans for 2012 are estimated at around €400 million.

### Actuarial assumptions used to measure defined benefit obligations and plan assets

Assumptions related to mortality, employee turnover and future salary increases take into account the economic conditions specific to each country and company.

The assumptions used in 2011 for the main plans were as follows:

	France	Other European countries	United States	
		Euro zone	United Kingdom	
<i>(in %)</i>				
Discount rate	4.75%	4.75%	4.65%	4.50%
Salary increases	2.40%	1,80% à 2,60%	3.30%	3.00%
Expected return on plan assets	5.00%	4,00% à 5,25%	5.85%	8.75%
Inflation rate	1.80%	1,50% à 2,00%	2.80%	2.10%

The assumptions used in 2010 for the Group's main plans were as follows:

	France	Other European countries	United States	
		Euro zone	United Kingdom	
<i>(in %)</i>				
Discount rate	4.75%	4.75%	5.45%	5.50%
Salary increases	2.40%	1.90% à 2.70%	3.70%	3.00%
Expected return on plan assets	5.00%	4.15% à 5.25%	6.20%	8.75%
Inflation rate	1.80%	1.50% à 1.90%	3.20%	2.00%

Discount rates were set by region or country based on observed bond rates at December 31, 2011.

A 0.5-point decrease in the discount rate would lead to an increase in defined benefit obligations of around €210 million for the North American plans, €150 million for the euro-zone plans and €290 million for the UK plans. A 0.5-point increase in the inflation rate would lead to an overall increase in defined benefit obligations of approximately €480 million.

The same assumptions concerning mortality, employee turnover and interest rates are used to determine the Group's defined benefit obligations for other long-term employee benefits. In the United States, retirees' healthcare costs are projected to rise by 7.77% per year. A 1-point increase in this rate would lead to an increase in the related defined benefit obligation of around €50 million.

The inflation rate used to adjust pension benefits in the United Kingdom has been changed. The Group uses the Consumer Price Index (CPI) in accordance with the July 2010 decision of the UK government. The £76 million impact of the change is included in "Past service cost" in the table presenting changes in pension and post-employment benefit obligations.

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. In 2011, resilient financial markets in the US and UK led to a €303 million increase in plan assets versus an estimated €415 million based on the expected return on the assets. A 50 bps change in the estimated return on plan assets would have a roughly €30 million impact on profit for the year.

### Actuarial gains and losses

In 2006, the Group elected to apply the option available under IAS 19 and to record in equity actuarial gains and losses and the change in the asset ceiling. In 2011, €704 million was recognized in equity (increase in provisions). This amount corresponds to €595 million in actuarial differences, including a €6 million experience adjustment (corresponding to the effects of differences between previous actuarial assumptions and what has actually occurred), €3 million due to a lowering of the asset ceiling, and a €112 million decrease in plan assets.

The defined benefit obligation, asset ceiling and experience adjustments recognized since the application of the option available under IAS 19 are as follows:

<i>(in EUR millions)</i>	2011	2010	2009	2008	2007
Defined benefit obligation	9,820	8,892	7,999	6,803	7,699
Fair value of plan assets	(6,593)	(6,224)	(5,384)	(4,976)	(6,405)
Plan (surplus)/deficit	3,227	2,668	2,615	1,827	1,294
Experience actuarial gain (loss) as a % of the defined benefit obligation	0.1	(0.4)	(0.5)	0.4	0.7

### Plan surpluses and the asset ceiling

When plan assets exceed the defined benefit obligation, the excess is recognized in other non-current assets under “Plan surplus” (see Note 7) provided that it corresponds to future economic benefits. The asset ceiling corresponds to the maximum future economic benefit. Changes in the asset ceiling are recognized in equity.

### Contributions to insured plans

This item corresponds to amounts payable in the future to insurance companies under the externally funded pension plans for Group employees in Spain and totaled €29 million at December 31, 2010. These amounts were fully repaid at June 30, 2011.

**Employee benefits expense**

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

<i>(in EUR millions)</i>	<b>2011</b>	<b>2010</b>
Service cost	180	174
Interest cost	438	454
Return on plan assets	(415)	(355)
Curtailments and settlements	(103)	(13)
<b>Pensions, length-of-service awards and other post-employment benefits</b>	<b>100</b>	<b>260</b>
Employee contributions	(19)	(21)
<b>Total</b>	<b>81</b>	<b>239</b>

**Additional information about defined contribution plans**

Contributions to defined contribution plans for 2011 represented an estimated €645 million (2010: €604 million), including €453 million for government-sponsored basic pension schemes (2010: €420 million), €141 million for government-sponsored supplementary pension schemes, mainly in France (2010: €137 million), and €51 million for corporate-sponsored supplementary pension plans (2010: €47 million).

**NOTE 15 – CURRENT AND DEFERRED TAXES**

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

	<b>2011</b>	<b>2010</b>
<i>(in EUR millions)</i>		
Net income	1,360	1,213
Less:		
Share in net income of associates	8	5
Income taxes	(656)	(577)
<b>Pre-tax income of consolidated companies</b>	<b>2,008</b>	<b>1,785</b>

Income tax expense breaks down as follows:

	<b>2011</b>	<b>2010</b>
<i>(in EUR millions)</i>		
<b>Current taxes</b>	<b>(662)</b>	<b>(541)</b>
France	(106)	(111)
Outside France	(556)	(430)
<b>Deferred taxes</b>	<b>6</b>	<b>(36)</b>
France	(12)	(28)
Outside France	18	(8)
<b>Total income tax expense</b>	<b>(656)</b>	<b>(577)</b>

The effective tax rate breaks down as follows:

<i>(in %)</i>	<b>2011</b>	<b>2010</b>
Tax rate in France	34.4	34.4
Impact of tax rates outside France	(5.9)	(3.1)
Impact of 2011 Finance Law in France (add-in 5%)	1.7	0.0
Capital gains and losses and asset impairments	3.8	1.9
Provisions for deferred tax assets	0.8	0.9
Effect of changes in future tax rates	(1.1)	(0.6)
Research tax credit	(0.7)	(1.0)
Other deferred and miscellaneous taxes	(0.3)	(0.2)
<b>Effective tax rate</b>	<b>32.7</b>	<b>32.3</b>



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

<i>(in EUR millions)</i>	<b>Net deferred tax liability</b>
<b>At January 1, 2010</b>	<b>245</b>
Deferred tax expense/(benefit)	36
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (Note 14)	(40)
Translation adjustments	(14)
Impact of changes in Group structure and other	(18)
<b>At December 31, 2010</b>	<b>209</b>
Deferred tax expense/(benefit)	(6)
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (Note 14)	(240)
Translation adjustments	(25)
Impact of changes in Group structure and other	6
<b>At December 31, 2011</b>	<b>(56)</b>

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

<i>(in EUR millions)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Deferred tax assets	949	700
Deferred tax liabilities	(893)	(909)
<b>Net deferred tax liability</b>	<b>56</b>	<b>(209)</b>
Pensions	948	707
Brands	(799)	(814)
Depreciation & amortization, accelerated capital allowances and tax-driven provisions	(1,182)	(1,122)
Tax loss carryforwards	584	522
Other	505	498
<b>Total</b>	<b>56</b>	<b>(209)</b>

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, the United States and the Netherlands).

Deferred tax assets of €949 million were recognized at December 31, 2011 (December 31, 2010: €700 million) including €638 million in the United States. Deferred tax liabilities recognized at December 31, 2011 amounted to €893 million (December 31, 2010: €909 million), including €393 million in France and €192 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 totaled €190 million at December 31, 2011 (December 31, 2010: €154 million).

In France, the *taxe professionnelle* local business tax has been replaced, from 2010, by the *Contribution Economique Territoriale* (CET), a two-part tax. In accordance with IAS 12, the portion of the tax assessed on the value added by the business (*Cotisation sur la Valeur Ajoutée des Entreprises* – CVAE) has been included in income tax for the period, because it is assessed on revenues net of expenses, particularly in the Building Distribution sector which represents roughly 50% of the Group's revenue in France. As a result of this accounting treatment, a €20 million net deferred tax liability arising from temporary differences between book values and tax bases at December 31, 2009 was recognized in income tax expense in the 2010 income statement.

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

	Provisions for claims and litigation	Provisions for environ- mental risks	Provisions for restruc- turing costs	Provisions for personnel costs	Provisions for customer warranties	Provisions for other contingencies	Total Investment- provision for other liabilities	Investment- related liabilities	Total
<i>(in EUR millions)</i>									
<b>At January 1, 2010</b>									
Current portion	92	34	133	38	88	128	513	5	518
Non-current portion	1,273	133	107	44	153	328	2,038	131	2,169
<b>Total</b>	<b>1,365</b>	<b>167</b>	<b>240</b>	<b>82</b>	<b>241</b>	<b>456</b>	<b>2,551</b>	<b>136</b>	<b>2,687</b>
<b>Movements during the year</b>									
Additions	166	28	136	31	83	77	521		521
Reversals		(17)	(26)	(9)	(19)	(74)	(145)		(145)
Utilizations	(120)	(10)	(126)	(16)	(63)	(66)	(401)		(401)
Changes in Group structure						2	2	9	11
Other (reclassifications and translation adjustments)	27	6	13	4	15	4	69	13	82
<b>Total movements</b>	<b>73</b>	<b>7</b>	<b>(3)</b>	<b>10</b>	<b>16</b>	<b>(57)</b>	<b>46</b>	<b>22</b>	<b>68</b>
<b>At December 31, 2010</b>									
Current portion	100	37	117	45	100	113	512	15	527
Non-current portion	1,338	137	120	47	157	286	2,085	143	2,228
<b>Total</b>	<b>1,438</b>	<b>174</b>	<b>237</b>	<b>92</b>	<b>257</b>	<b>399</b>	<b>2,597</b>	<b>158</b>	<b>2,755</b>
<b>Movements during the year</b>									
Additions	151	18	87	23	119	88	486		486
Reversals	(1)	(13)	(32)	(13)	(34)	(77)	(170)		(170)
Utilizations	(102)	(9)	(100)	(24)	(90)	(66)	(391)		(391)
Changes in Group structure			1			(1)	0	9	9
Other (reclassifications and translation adjustments)	15	(1)	(10)	(5)	3	23	25	162	187
<b>Total movements</b>	<b>63</b>	<b>(5)</b>	<b>(54)</b>	<b>(19)</b>	<b>(2)</b>	<b>(33)</b>	<b>(50)</b>	<b>171</b>	<b>121</b>
<b>At December 31, 2011</b>									
Current portion	117	33	93	36	113	137	529	204	733
Non-current portion	1,384	136	90	37	142	229	2,018	125	2,143
<b>Total</b>	<b>1,501</b>	<b>169</b>	<b>183</b>	<b>73</b>	<b>255</b>	<b>366</b>	<b>2,547</b>	<b>329</b>	<b>2,876</b>

### Provisions for claims and litigation

In 2011, provisions for claims and litigation covered potential costs arising from investigations by the competition authorities involving the Flat Glass business and from asbestos-related litigation. These provisions are described in further detail in Note 27.

### **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 €183 million at December 31, 2011 (December 31, 2010: €237 million), including net additions of €55 million during the year. The provisions primarily concern Benelux (€40 million), Germany (€28 million), France (€26 million), the United Kingdom (€25 million), Latin America (€14 million) and the United States (€9 million).

### **Provisions for personnel costs**

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

### **Provisions for customer warranties**

These provisions cover the Group's commitments under the warranties granted to customers in the United States and other markets.

### **Provisions for other contingencies**

At December 31, 2011, provisions for other contingencies amounted to €366 million and mainly concerned France (€118 million), Germany (€91 million), the United States (€56 million), Latin America (€39 million), Italy (€24 million) and Spain (€11 million).

### **Investment-related liabilities**

Changes in investment-related liabilities primarily concern put options granted to minority shareholders, additional purchase consideration and deferred payments on acquisitions. In 2011, this item also includes liabilities corresponding to forward purchases of treasury stock.

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

<i>(in EUR millions)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
<b>Trade accounts payable</b>	<b>6,018</b>	<b>5,690</b>
Customer deposits	791	727
Payable to suppliers of non-current assets	374	354
Grants received	99	60
Accrued personnel expenses	1,177	1,149
Accrued taxes other than on income	434	446
Other	687	659
France	119	115
Germany	51	66
United Kingdom	111	96
Other Western European countries	135	130
North America	60	57
Emerging countries and Asia	211	195
<b>Total other payables and accrued expenses</b>	<b>3,562</b>	<b>3,395</b>

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

**NOTE 18 – RISK FACTORS****MARKET RISKS (LIQUIDITY, INTEREST RATE, FOREIGN EXCHANGE, ENERGY AND CREDIT RISKS)****Liquidity risk on financing**

In a crisis environment, the Group could be unable to raise the financing or refinancing needed to cover its investment plans on the credit market or the capital market, or to obtain such financing or refinancing on acceptable terms.

There is also no guarantee that the Company's credit rating will remain at the current level.

The Group's overall exposure to liquidity risk on net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain. Except in special cases, all of the Group companies' long-term financing needs and the majority of their short-term financing needs are met by Compagnie de Saint-Gobain or by the national delegations' cash pools.

The main objective of liquidity risk management processes is to guarantee that the Group's financing sources will be rolled over and to optimize annual borrowing costs. Long-term debt therefore systematically represents a high percentage of overall debt. At the same time, the maturity schedules of long-term debt are set in such a way that replacement capital markets issues are spread over time.

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

Short-term debt is composed mainly of borrowings under French Commercial Paper (“*Billets de Trésorerie*”) programs and, from time-to-time, Euro Commercial Paper and US Commercial Paper programs, but also includes receivables securitization programs and bank overdrafts. Short-term financial assets comprise marketable securities and cash equivalents.

To maintain secure sources of financing, Compagnie de Saint-Gobain has various confirmed syndicated lines of credit.

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

Saint-Gobain's long-term debt issues have been rated BBB with a stable outlook by Standard & Poor's since July 24, 2009 and Baa2 with a positive outlook by Moody's since June 8, 2011.

### **Liquidity risk on investments**

Short-term investments consist of bank deposits and mutual fund units. To reduce liquidity or volatility risk, whenever possible, the Group invests in money market and/or bond funds.

### **Interest rate risks**

The Group's overall exposure to interest rate risk on net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain using the same financing structures and methods as for liquidity risk. Where subsidiaries use derivatives to hedge interest rate risks, their counterparty is generally Compagnie de Saint-Gobain, the Group's parent company.

The Group's overall exposure to interest rate risk on consolidated debt is managed primarily with the objective of fixing the cost of medium-term debt and optimizing annual borrowing costs. According to Group policy, the derivative financial instruments used to hedge these risks comprise interest rate swaps, options – including caps, floors and swaptions – and forward rate agreements.

Based on a sensitivity analysis of the Group’s total net debt after hedging, a 50-basis point increase in interest rates at the balance sheet date would lead to a €02 million increase in income.

### **Foreign exchange risk**

The currency hedging policies described below could be inadequate to protect the Group against unexpected or sharper than expected fluctuations in exchange rates resulting from economic and financial market conditions.

Foreign exchange risks are managed by hedging commercial transactions carried out by Group entities in currencies other than their functional currencies. Compagnie de Saint-Gobain and its subsidiaries use options and forward contracts to hedge exposures arising from current and future commercial transactions. The subsidiaries set up options exclusively through the Group's parent company, Compagnie de Saint-Gobain, which then takes a reverse position on the market.

Most forward contracts have short maturities, of around three months. However, forward contracts taken out to hedge firm orders may have terms of up to two years.

Wherever possible, foreign exchange risks are hedged with Compagnie de Saint-Gobain upon receipt of the orders sent by the subsidiaries, or with the local delegations' cash pools. In other cases, hedges are contracted with the subsidiaries' banks.

The Group monitors its exposure to foreign exchange risk using a monthly reporting system which captures the foreign exchange positions taken by subsidiaries. At December 31, 2011, 98% of the Group's foreign exchange position was hedged.

The net foreign exchange exposure of subsidiaries whose functional currency is not one of those presented below was as follows at December 31, 2011:

	<b>Long</b>	<b>Short</b>
<i>(in millions of euro equivalents)</i>		
EUR	2	5
USD	5	13
Other currencies	0	2
<b>Total</b>	<b>7</b>	<b>20</b>

Based on a sensitivity analysis at December 31, 2011, a 10% increase in the exchange rates of the main currencies used by subsidiaries would have the following impact on net income:

	<b>Net gain or loss</b>
<i>(in EUR millions)</i>	
EUR	(0.4)
USD	(0.8)

A 10% fall in exchange rates would have a reverse impact in the same amounts, assuming that all other variables were unchanged.

### **Energy and raw materials risk**

The Group is exposed to changes in the price of raw materials used in its products and in energy prices. The energy hedging programs may be inadequate to protect the Group against significant or unforeseen price swings that could result from the prevailing financial and economic environment.

The Group limits its exposure to energy price fluctuations by using swaps and options to hedge part of its fuel oil, natural gas and electricity purchases. The swaps and options are mainly contracted in the functional currency of the entities concerned. Hedges of gas and fuel oil purchases are managed by a steering committee comprising members of the Group Finance Department, the Group Purchasing Department (Saint-Gobain Achats - SGA) and the relevant Delegations.

Hedges of energy purchases (excluding fixed-price purchases negotiated directly with suppliers by the Purchasing Department) are generally arranged by the Group Treasury and Financing Department (or with the Delegations' treasury departments) in accordance with instructions received from SGA.

The steering committee does not manage hedges not mentioned above because:

- The volumes involved are not material, or
- There are no international price indexes used by local players and transactions are therefore based on either administered prices or strictly national indexes.

In both of these cases, local purchasing units manage energy risk primarily through fixed-price purchases.

The Group may from time to time enter into contracts to hedge purchases of other commodities, in accordance with the principles outlined above for energy purchases.

There can be no guarantee that raw materials that are not hedged as explained above will not be subject to sudden, considerable or unforeseen fluctuations.

### **Credit risk**

The Group may be exposed to the risk of losses on cash and other financial instruments held or managed on its behalf by financial institutions, if any of its counterparties defaults on its obligations. Group policy is to limit its exposure by dealing solely with leading counterparties and monitoring their credit ratings, in line with guidelines approved by the Board of Directors. There is no guarantee that this policy will be effective in entirely eliminating counterparty risk. Any default by a counterparty could have a material adverse effect on the Group's objectives, operating income and financial position.

To limit the Group's exposure to credit risk, the Treasury and Financing Department only deals with counterparties with a long-term rating of A- or above from Standard & Poor's or A3 or above from Moody's, with a stable outlook in both cases. Concentrations of credit risk are closely monitored to ensure that they remain at reasonable levels.

However, credit risks arising from transactions with financial counterparties can escalate rapidly and a high credit rating is no guarantee that an institution will not experience a rapid deterioration of its financial position.

Note 20 provides details of the Group's interest rate and energy hedges, and the interest rates for the main items of debt. It also provides a breakdown of debt by currency and interest rate (fixed or variable), as well as the interest rate repricing schedule.

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

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

<i>(in EUR millions)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Bond issues and Medium-Term Notes	7,620	7,104
Perpetual bonds and participating securities	203	203
Other long-term debt including finance leases	347	332
Debt recognized at fair value under the fair value option	156	157
Fair value of interest rate hedges	0	26
<b>Total long-term debt (excluding current portion)</b>	<b>8,326</b>	<b>7,822</b>
<b>Current portion of long-term debt *</b>	<b>1,656</b>	<b>1,094</b>
Short-term financing programs (US CP, Euro CP, <i>Billets de trésorerie</i> )	76	0
Bank overdrafts and other short-term bank borrowings	627	684
Securitizations	357	327
Fair value of derivatives not qualified as hedges of debt	2	3
<b>Short-term debt and bank overdrafts</b>	<b>1,062</b>	<b>1,014</b>
<b>TOTAL GROSS DEBT</b>	<b>11,044</b>	<b>9,930</b>
Cash and cash equivalents	(2,949)	(2,762)
<b>TOTAL NET DEBT, INCLUDING ACCRUED INTEREST</b>	<b>8,095</b>	<b>7,168</b>

\* Including the fair value of interest rate hedges for €10 million maturing within one year.

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounted to €9.7 billion at December 31, 2011, for a carrying amount of €9.3 billion. The fair value of bonds corresponds to the market price on the last day of the year. For other borrowings, fair value is considered as being equal to the amount repayable.



**Long-term debt repayment schedule**

Long-term debt at December 31, 2011 can be analyzed as follows by maturity:

<i>(in EUR millions)</i>	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues and Medium-Term Notes	EUR	1,250	4,058	2,846	8,154
	GBP	0	358	358	716
Perpetual bonds and participating securities	EUR	0	0	203	203
Other long-term debt including finance leases	All currencies	187	215	132	534
Debt recognized at fair value under the fair value option	EUR	0	156	0	156
Fair value of interest rate hedges	EUR	10	0	0	10
<b>TOTAL, EXCLUDING ACCRUED INTEREST</b>		<b>1,447</b>	<b>4,787</b>	<b>3,539</b>	<b>9,773</b>

At December 31, 2011, future interest payments on gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain were due as follows:

<i>(in EUR millions)</i>	Within 1 year	1 to 5 years	Beyond 5 years	Total
Future interest payments on gross long-term debt	433	1,119	406	1,958

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

**Bond issues**

On May 31, 2011, Compagnie de Saint-Gobain redeemed a €777 million bond issue that had reached maturity.

On September 30, 2011, Compagnie de Saint-Gobain launched a €1,750 million bond issue comprising two tranches:

- A 4-year 3.5% tranche totaling €1,000 million, and
- An 8-year 4.5% tranche for €750 million.

The issue, which will be used mainly to refinance existing debt, has extended the average maturity of the Group's debt while also optimizing average borrowing costs.

On January 18, 2012, Compagnie de Saint-Gobain increased its €750 million 8-year bond issue by carrying out a €50 million tap issue.

On January 19, 2012, Compagnie de Saint-Gobain further increased its €750 million 8-year bond issue by carrying out a €150 million tap issue.

## 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”.

Up to December 31, 2011, 18,496 perpetual bonds had been bought back and canceled and 6,504 perpetual bonds were outstanding, representing a total face value of €33 million.

## Participating securities

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

Some of these securities have been bought back on the market. At December 31, 2011, there were 606,883 TMO-indexed securities and 77,516 Euribor-indexed securities outstanding, representing an aggregate face value of €170 million.

Interest on the 606,883 TMO-indexed securities consists of a fixed portion and a variable portion based on the Group's earnings, subject to a cap of 1.25 times the TMO. Interest on the 77,516 Euribor-indexed securities comprises (i) a fixed portion of 7.5% per year applicable to 60% of the security, and (ii) a variable portion applicable to the remaining 40% of the security, which is linked to consolidated net income of the previous year, subject to the cap specified in the issue agreement.

## Financing programs

The Group has a number of medium and long-term financing programs (Medium Term Notes) and short-term financing programs (Commercial Paper and *Billets de Trésorerie*).

At December 31, 2011, issuance under these programs was as follows:

Programs (in millions of currency units)	Currency	Maturities	Authorized program at Dec. 31, 2011	Outstanding issues at Dec. 31, 2011	Outstanding issues at Dec. 31, 2010
Medium Term Notes	EUR	1 to 30 years	12,000	7,951	6,201
US Commercial Paper	USD	Up to 12 months	1,000*	0	0
Euro Commercial Paper	USD	Up to 12 months	1,000*	0	0
<i>Billets de Trésorerie</i>	EUR	Up to 12 months	3,000	76	0

\* Equivalent to €773 million based on the exchange rate at December 31, 2011.

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 lines of credit**

Compagnie de Saint-Gobain has various confirmed syndicated lines of credit that are intended to provide a secure source of financing for the Group (including as additional backing for its US Commercial Paper, Euro-Commercial Paper and *Billets de Trésorerie* programs). They include:

- A €2.5 billion syndicated line of credit obtained in June 2009. Renegotiated in 2010, the facility has been extended by one year until June 2013 and reduced to €1 billion.  
The facility agreement includes a covenant stipulating that the Group's net debt/operating income excluding depreciation and amortization of property, plant and equipment and intangible assets ratio, as measured annually at December 31, must at all times represent less than 3.75.  
This ratio was complied with at December 31, 2011.
- A €3 billion syndicated line of credit expiring in December 2015, that was obtained in December 2010. It does not include any covenant.

Neither of these confirmed lines of credit was drawn down at December 31, 2011.

### **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 transfers the credit risk to the financial institution.

The US program amounted to €177 million at December 31, 2011 (December 31, 2010: €153 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 2011 (2010: €4.7 million).

The UK program amounted to €180 million at December 31, 2011 (December 31, 2010: €174 million) and the financial expense came to €1.6 million in 2011 (2010: €1.5 million).

### **Collateral**

At December 31, 2011, €46 million of Group debt was secured by various non-current assets (real estate and securities).

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

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

(in EUR millions)	Fair value at December 31, 2011			Fair value at Dec. 31, 2010	Nominal value broken down by maturity at December 31, 2011			Total
	Derivatives recorded in assets	Derivatives recorded in liabilities	Total		Within 1 year	1 to 5 years	Beyond 5 years	
<b>Fair value hedges</b>								
Interest rate swaps	0	0	0	19	0	0		0
<b>Fair value hedges - total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash flow hedges</b>								
Forward foreign exchange contracts	1	(5)	(4)	2	184	2	0	186
Currency options				0				0
Currency swaps				0				0
Interest rate swaps	0	(10)	(10)	(45)	1 250	0	0	1 250
Energy and commodity swaps	3	(11)	(8)	1	75	0	0	75
<b>Cash flow hedges - total</b>	<b>4</b>	<b>(26)</b>	<b>(22)</b>	<b>(42)</b>	<b>1 509</b>	<b>2</b>	<b>0</b>	<b>1 511</b>
<b>Derivatives not qualifying for hedge accounting</b>								
Interest rate swaps	1	0	1	2	0	155	0	155
Currency swaps	5	(9)	(4)	(6)	1 694	0	0	1 694
Energy and commodity swaps	0	0	0	0	0	0	0	0
Forward foreign exchange contracts	2	(1)	1	0	115	5	0	120
<b>Derivatives not qualifying for hedge accounting - total</b>	<b>8</b>	<b>(10)</b>	<b>(2)</b>	<b>(4)</b>	<b>1 809</b>	<b>160</b>	<b>0</b>	<b>1 969</b>
<b>TOTAL</b>	<b>12</b>	<b>(36)</b>	<b>(24)</b>	<b>(27)</b>	<b>3 318</b>	<b>162</b>	<b>0</b>	<b>3 480</b>
o/w derivatives used to hedge net debt	6	(18)	(12)	(29)				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.

- *Forward foreign exchange contracts and currency options*

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

- *Energy and commodity swaps*

Energy and commodity swaps are used to hedge the risk of changes in the price of certain purchases used in the subsidiaries' operating activities, particularly energy (fuel oil, natural gas and electricity) purchases.

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

At December 31, 2011, the cash flow hedging reserve carried in equity in accordance with IFRS had a debit balance of €22 million, mainly breaking down as follows:

- €10 million corresponding to the remeasurement at fair value of interest rate swaps designated as cash flow hedges that are used to fix the interest rate on bonds.
- €12 million corresponding to the remeasurement at fair value of other cash flow hedges to be reclassified to income when the hedged items affect income.

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

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

Fair value of derivatives classified as financial assets and liabilities at fair value through profit or loss represented a €2 million loss in 2011 (2010: €4 million loss).

**Embedded derivatives**

Saint-Gobain regularly analyzes its contracts in order to separately identify financial instruments classified as embedded derivatives under IFRS. At December 31, 2011, 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 4.8% at December 31, 2011 (December 31, 2010: 4.8%).

The average internal rates of return for the main components of long-term debt before hedging were as follows in 2011 and 2010:

<b>Internal rate of return on long-term debt (in %)</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Bonds and Medium Term Notes	5.19	5.35
Perpetual bonds and participating securities	4.85	3.97

The table below presents the breakdown by currency and by interest rate (fixed or variable) of the Group's gross debt at December 31, 2011, after giving effect to interest rate swaps and currency swaps.

<b>Gross debt denominated in foreign currencies</b> <i>(in EUR millions)</i>	<b>After hedging</b>		<b>Total</b>
	<b>Variable rate</b>	<b>Fixed rate</b>	
EUR	547	8,256	8,803
GBP	(63)	716	653
USD	117	12	129
NOK, SEK	470	2	472
Other currencies	573	139	712
<b>TOTAL</b>	<b>1,644</b>	<b>9,125</b>	<b>10,769</b>
	15%	85%	100%
Fair value of related derivatives			12
Accrued interest			263
<b>TOTAL GROSS DEBT</b>			<b>11,044</b>

#### Interest rate repricing schedule for debt

The table below shows the interest rate repricing schedule at December 31, 2011 for gross debt after hedging:

<i>(in EUR millions)</i>	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>Beyond 5 years</b>	<b>Total</b>
Gross debt	3,293	4,530	3,221	11,044
Impact of interest rate swaps	0	0	0	0
<b>GROSS DEBT AFTER HEDGING</b>	<b>3,293</b>	<b>4,530</b>	<b>3,221</b>	<b>11,044</b>

**NOTE 21 - FINANCIAL ASSETS AND LIABILITIES**

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

(in EUR millions)	Notes	December 31, 2011	December 31, 2010
<b>Loans and receivables</b>			
Trade and other accounts receivable	(9)	6,749	6,286
Loans and deposits	(7)	266	210
<b>Available-for-sale financial assets</b>			
Available for sale and other securities (a)	(7)	29	25
<b>Financial assets at fair value through profit or loss</b>			
Derivatives recorded in assets (b)	(19)(20)	6	25
Cash and cash equivalents (c)	(19)	2,949	2,762
<b>Financial liabilities at amortized cost</b>			
Trade and other accounts payable	(17)	(9,580)	(9,085)
Long and short-term debt	(19)	(10,868)	(9,724)
<b>Financial liabilities at fair value</b>			
Long and short-term debt (d)	(19)	(164)	(177)
Derivatives recorded in liabilities (b)	(19)(20)	(18)	(54)

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

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

<i>(in EUR millions)</i>	<b>2011</b>	<b>2010</b>
<b>Net sales</b>	<b>42,116</b>	<b>40,119</b>
Personnel costs		
Salaries and payroll taxes	(7,955)	(7,825)
Share-based payments <sup>(a)</sup>	(39)	(41)
Pensions <sup>(b)</sup>	(76)	(165)
Depreciation and amortization	(1,511)	(1,535)
Other <sup>(c)</sup>	(29,094)	(27,436)
<b>Operating income</b>	<b>3,441</b>	<b>3,117</b>
Other business income <sup>(d)</sup>	69	87
Negative goodwill recognized in income	0	0
<b>Other business income</b>	<b>69</b>	<b>87</b>
Restructuring costs <sup>(e)</sup>	(167)	(242)
Provisions and expenses relating to claims and litigation <sup>(f)</sup>	(149)	(161)
Impairment of assets and other business expenses <sup>(g)</sup>	(469)	(235)
Other	(79)	(42)
<b>Other business expense</b>	<b>(864)</b>	<b>(680)</b>
<b>Business income</b>	<b>2,646</b>	<b>2,524</b>

- (a) Details of share-based payments are provided in Notes 11, 12 and 13.
- (b) Changes in pension costs are presented in Note 14 “Provisions for pensions and other employee benefits”.
- (c) This item corresponds to Building Distribution Sector cost of sales, supplier discounts and selling expenses, and to transport costs, raw materials costs, and other production costs for the other Sectors. This item also includes net foreign exchange gains and losses, representing a net loss of €1 million in 2011 (2010: not material). In 2011, research and development costs recorded under operating expenses amounted to €417 million (2010: €402 million).
- (d) This item includes capital gains on disposals of property, plant and equipment and intangible assets.
- (e) Restructuring costs in 2011 mainly consisted of employee termination benefits in an amount of €95 million (2010: €155 million).
- (f) In the periods presented, provisions and expenses relating to claims and litigation corresponded for the most part to asbestos-related litigation and the provision for the competition litigation discussed in Notes 16 and 27.
- (g) Impairment losses on assets in 2011 included impairment losses of €309 million on goodwill (2010: €87 million) and €72 million on property, plant and equipment and intangible assets (2010: €133 million) and €2 million on financial assets and current assets (2010: €12 million). The caption “Other” includes capital losses on disposals of assets for €68 million and acquisition costs incurred in connection with business combinations for €18 million.



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

<i>(in EUR millions)</i>	<b>2011</b>	<b>2010</b>
Interest cost - pension and other post-employment benefit obligations	(445)	(464)
Return on plan assets	415	355
<b>Interest cost - pension and other post-employment benefit obligations - net</b>	<b>(30)</b>	<b>(109)</b>
Other financial expense	(111)	(123)
Other financial income	19	12
<b>Other financial income and expense</b>	<b>(122)</b>	<b>(220)</b>

**Recognition of financial instruments**

Net financial expense amounted to €638 million in 2011 (2010: €739 million). Of this amount, €472.7 million (2010: €503.1 million) relates to instruments carried at amortized cost by Compagnie de Saint-Gobain and Saint-Gobain Nederland. Instruments measured at fair value by these two entities resulted in a positive impact of €3.4 million (2010: €0.4 million positive impact).

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

EBITDA amounted to €4,952 million in 2011 (2010: €4,652 million), calculated as follows:

<i>(in EUR millions)</i>	<b>2011</b>	<b>2010</b>
Operating income	3,441	3,117
Depreciation and amortization	1,511	1,535
<b>EBITDA</b>	<b>4,952</b>	<b>4,652</b>

Recurring net income totaled €1,736 million in 2011 (2010: €1,335 million). Based on the weighted average number of shares outstanding at December 31 (526,274,931 shares in 2011, 517,954,691 shares in 2010), recurring earnings per share amounted to €3.30 in 2011 and €2.58 in 2010.

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

<i>(in EUR millions)</i>	<b>2011</b>	<b>2010</b>
<b>Net income attributable to equity holders of the parent</b>	<b>1,284</b>	<b>1,129</b>
Less:		
Gains on disposals of assets	1	87
Impairment of assets	(401)	(235)
Provision for competition litigation and other non-recurring provision charges	(123)	(75)
Impact of minority interests	(1)	0
Tax impact	72	17
<b>Recurring net income attributable to equity holders of the parent</b>	<b>1,736</b>	<b>1,335</b>

Cash flow from operations for 2011 amounted to €3,421 million (2010: €3,004 million). Excluding tax on capital gains and losses, cash flow from operations came to €3,349 million in 2011 (2010: €2,987 million). These amounts are calculated as follows:

<i>(in EUR millions)</i>	<b>2011</b>	<b>2010</b>
<b>Net income attributable to equity holders of the parent</b>	<b>1,284</b>	<b>1,129</b>
Minority interests in net income	76	84
Share in net income of associates, net of dividends received	(1)	(5)
Depreciation, amortization and impairment of assets	1,892	1,755
Gains and losses on disposals of assets	(1)	(87)
Non-recurring charges to provisions	123	75
Unrealized gains and losses arising from changes in fair value and share-based payments	48	53
<b>Cash flow from operations</b>	<b>3,421</b>	<b>3,004</b>
Tax on capital gains and losses and non-recurring charges to provisions	(72)	(17)
<b>Cash flow from operations before tax on capital gains and losses and non-recurring charges to provisions</b>	<b>3,349</b>	<b>2,987</b>

**NOTE 25 – EARNINGS PER SHARE**

The calculation of earnings per share is shown below.

<i>(in EUR millions)</i>	Net income attributable to equity holders of the parent	Number of shares	Earnings per share (in EUR )
<b>2011</b>			
Weighted average number of shares outstanding	<b>1,284</b>	526,274,931	<b>2.44</b>
Weighted average number of shares assuming full dilution	<b>1,284</b>	530,333,380	<b>2.42</b>
<b>2010</b>			
Weighted average number of shares outstanding	<b>1,129</b>	517,954,691	<b>2.18</b>
Weighted average number of shares assuming full dilution	<b>1,129</b>	519,887,155	<b>2.17</b>

The weighted average number of shares outstanding is calculated by deducting treasury stock (9,358,027 shares at December 31, 2011) from the average number of shares outstanding during the year.

The weighted average number of shares assuming full dilution is calculated based on the weighted average number of shares outstanding, assuming conversion of all dilutive instruments. The Group's dilutive instruments consist of stock options and performance share grants corresponding to a weighted average of 1,760,538 shares and 2,297,911 shares respectively in 2011.

**NOTE 26 – COMMITMENTS****Commitments related to shares in subsidiaries and associates**

Puts granted to minority shareholders are carried in the balance sheet under investment-related liabilities. They are reviewed on a periodic basis and any subsequent changes in their fair value are recognized by adjusting equity.

**Financing-related commitments**

The Group's commitments related to debt and financial instruments are discussed in Notes 19 and 20, respectively.

**Commitments related to operating activities**

- *Obligations under finance leases*

Non-current assets acquired under finance leases are recognized as an asset and a liability in the consolidated balance sheet.

At December 31, 2011, €36 million of future minimum lease payments due under finance leases concerned land and buildings. Total assets under finance leases recognized in consolidated assets amounted to €119 million at December 31, 2011 (December 31, 2010: €130 million)

<i>(in EUR millions)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
<b>Future minimum lease payments</b>		
Due within 1 year	25	42
Due in 1 to 5 years	46	65
Due beyond 5 years	10	13
<b>Total</b>	<b>81</b>	<b>120</b>
Less finance charge	(9)	(12)
<b>Present value of future minimum lease payments</b>	<b>72</b>	<b>108</b>

- *Obligations under operating leases*

The Group leases equipment, vehicles and office, manufacturing and warehouse space under various non-cancelable operating leases. Lease terms generally range from 1 to 9 years. The commitment corresponding to total future minimum payments over the lease term is discounted. 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.

Rental expense was €813 million in 2011, including rental expense of €533 million for land and buildings and revenue from subleases of €20 million. The net rental expense is €793 million.

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

<i>(in EUR millions)</i>	<b>Total 2011</b>	<b>Payments due</b>			<b>Total 2010</b>
		<b>Within 1 year</b>	<b>In 1 to 5 years</b>	<b>Beyond 5 years</b>	
<b>Operating leases</b>					
Rental expense	<b>3,028</b>	776	1,541	711	<b>2,697</b>
Subletting revenue	<b>(59)</b>	(17)	(29)	(13)	<b>(46)</b>
<b>Total</b>	<b>2,969</b>	<b>759</b>	<b>1,512</b>	<b>698</b>	<b>2,651</b>

- *Non-cancelable purchase commitments*

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

	Total 2011	Payments due			Total 2010
		Within 1 year	In 1 to 5 years	Beyond 5 years	
<i>(in EUR millions)</i>					
<b>Non-cancelable purchase commitments</b>					
Non-current assets	230	213	16	1	184
Raw materials	715	272	381	62	624
Services	115	46	67	2	119
Other	543	382	151	10	127
<b>Total</b>	<b>1,603</b>	<b>913</b>	<b>615</b>	<b>75</b>	<b>1,054</b>

The €549 million increase in non-cancelable purchase commitments in 2011 was mainly due to the agreements signed for the acquisition of the ductile iron pipe division of the Electrotherm's company in India and of Brossette, a specializing company in the distribution of plumbing, heating and sanitary products in France. It also reflected the renewal of certain raw materials purchase contracts.

- *Guarantee commitments*

In some cases, the Group grants seller's warranties to the buyers of divested businesses. A provision is set aside whenever a risk is identified and the related cost can be estimated reliably.

The Group also receives guarantees, amounting to €101 million at December 31, 2011 (December 31, 2010: €95 million).

- *Commercial commitments*

	Total 2011	Payments due			Total 2010
		Within 1 year	In 1 to 5 years	Beyond 5 years	
<i>(in EUR millions)</i>					
<b>Commercial commitments</b>					
Security for borrowings	35	8	14	13	37
Written put options	0				0
Other commitments given	216	89	49	78	237
<b>Total</b>	<b>251</b>	<b>97</b>	<b>63</b>	<b>91</b>	<b>274</b>

At December 31, 2011, pledged assets amounted to €301 million (December 31, 2010: €70 million) and mainly concerned fixed assets in Brazil and India.

Guarantees given to the Group in respect of receivables amounted to €109 million at December 31, 2011 (December 31, 2010: €100 million).

- *Other commitments*

Greenhouse gas emissions allowances granted to Group companies under the 2008-2012 plan represent approximately 6.9 million metric tons of CO<sub>2</sub> emissions per year. The 2011 and 2010 allowances are above the greenhouse gas emissions for those years and, consequently, no provision has been recorded in this respect in the Group accounts.

## **NOTE 27 – LITIGATION**

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

In France, further individual lawsuits were filed in 2011 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 742 such lawsuits have been issued against the two companies since 1997.

At December 31, 2011, 666 of these 742 lawsuits had been completed in terms of both liability and quantum. In all of these cases, the employers were held liable on the grounds of “inexcusable fault”.

Everite and Saint-Gobain PAM were held liable to pay a total amount of less than €1.3 million in compensation in settlement of these lawsuits.

Concerning the 76 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2011, the merits of 11 have been decided but the compensation awards have not yet been made, pending issue of medical reports or Appeal Court rulings. A further 34 of these 76 lawsuits have been completed in terms of both liability and quantum, but liability for the payment of compensation has not yet been assigned.

Out of the 31 remaining lawsuits, at December 31, 2011 the procedures relating to the merits of 27 cases were at different stages, with 6 in the process of being investigated by the French Social Security authorities and 21 pending before the Social Security courts. The final four suits have been withdrawn by the plaintiffs who can ask for them to be re-activated at any time within a two-year period.

In addition, as of December 31, 2011, 164 suits based on inexcusable fault had been filed by current or former employees of 12 other French companies in the Group (excluding Saint-Gobain Desjonquères and Saint-Gobain Vetrotex, which have been sold), in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.

At that date, 105 lawsuits had been completed. In 38 of these cases, the employer was held liable for inexcusable fault.

For the 59 suits outstanding at December 31, 2011, arguments were being prepared by the French Social Security authorities in 5 cases, 39 were being investigated – including 33 pending before the Social Security courts, 4 before the Courts of Appeal and 2 before the Court of Cassation – and 8 had been completed in terms of liability but not in terms of quantum, of which 5 pending before the Courts of Appeal and 3 before the Social Security Court. The final 7 suits have been withdrawn by the plaintiffs who can ask for them to be re-activated at any time within a two-year period.

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

In the United States, several companies that once manufactured products containing asbestos such as asbestos-cement pipes, roofing products, specialized insulation or gaskets, are facing legal action from persons other than their employees or former employees. These claims for compensatory – and in many cases punitive – damages are based on alleged exposure to the products, although in many instances the claimants cannot demonstrate any specific exposure to one or more products, or any specific illness or physical disability. The vast majority of these claims are made simultaneously against many other non-Group entities which have been manufacturers, distributors, installers or users of products containing asbestos.

- **Developments in 2011**

About 4,000 new claims were filed against CertainTeed in 2011, compared to about 5,000 in 2010, 4,000 in 2009, 5,000 in 2008, and 6,000 in 2007. Over the last five years the number of new claims has remained relatively stable.

Almost all of the claims against CertainTeed are settled out of court. Approximately 8,000 of the pending claims were resolved in 2011, compared to 13,000 in 2010, 8,000 in 2009, in 2008 and in 2007. Taking into account the 56,000 outstanding claims at the end of 2010 and the new claims having arisen during the year, as well as claims settled, some 52,000 claims were outstanding at December 31, 2011. A large number of these pending claims were filed more than five years ago by individuals without any significant asbestos-related impairment, and it is likely that many of these claims ultimately will be dismissed.

- **Impact on the accounts**

The Group recorded a €90 million charge in 2011 to cover future developments in relation to claims. This amount is lower than the €97 million recorded in 2010, higher than the €75 million recorded in 2009 and 2008, and equal to the €90 million recorded in 2007. At December 31, 2011, the Group reserve for asbestos-related claims against CertainTeed in the United States amounts to €389 million (\$504 million), compared with €375 million, (\$501 million) at December 31, 2010, €347 million, (\$500 million) at December 31, 2009, €361 million (\$502 million) at December 31, 2008, and €321 million (\$473 million) at December 31, 2007.

- **Cash flow impact**

Compensation paid in respect of these claims against CertainTeed, including claims settled prior to 2011 but only paid out in 2011, and those fully resolved and paid in 2011, and compensation paid (net of insurance) in 2011 by other Group businesses in connection with asbestos-related litigation, amounted to €59 million (\$82 million), compared to €78 million (\$103 million) in 2010, €55 million (\$77 million) in 2009, €48 million (\$71 million) in 2008, and €53 million (\$73 million) in 2007.

\*\*\*

In Brazil, former Group employees suffering from asbestos-related occupational illness are offered either exclusively financial compensation or lifetime medical assistance combined with financial compensation. Only a small number of asbestos-related lawsuits brought by former employees (or persons claiming through them) were outstanding at December 31, 2011, and they do not currently represent a material risk for the companies concerned.

\*\*\*

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

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 General Court of the European Union.

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.

The provision set aside to cover the fine, the late interest, the cost of the above bond and the related legal costs amounted to €1,066 million at December 31, 2011.

The appeal against the November 12, 2008 decision is currently pending before the General Court of the European Union in Luxembourg.



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

<i>(in EUR millions)</i>	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Financial receivables	1	1
Inventories	0	0
Short-term receivables	10	9
Cash and cash equivalents	0	0
Provisions for impairment in value	0	0
<b>Liabilities</b>		
Short-term debt	3	3
Cash advances	0	1
<b>Expenses</b>		
Purchases	11	8
<b>Income</b>		
Sales	32	34

**Revenue from transactions with proportionately consolidated companies**

Transactions with proportionately consolidated companies are treated as transactions with external parties and the Group's share of revenue arising from such transactions is not eliminated on consolidation. In 2011, these revenues amounted to €16 million (2010: €21 million).

**Transactions with key shareholders**

Some Group subsidiaries, particularly in the Building Distribution Sector, carry out transactions with subsidiaries of the Wendel group. All of these transactions are on an arm's length basis.

**NOTE 29 – JOINT VENTURES**

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

<i>(in EUR millions)</i>	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Non-current assets	380	277
Current assets	173	164
<b>Liabilities</b>		
Non-current liabilities	51	22
Current liabilities	107	88
<b>Expenses</b>		
Operating expenses	273	247
<b>Income</b>		
Sales	320	310

**NOTE 30 – MANAGEMENT COMPENSATION**

Direct and indirect compensation and benefits paid to members of the Board of Directors and the Group's senior management were as follows in 2011:

<i>(in EUR millions)</i>	<b>2011</b>	<b>2010</b>
Attendance fees	0,8	0,8
Direct and indirect compensation (gross):		
Fixed portion	7,9	7,7
Variable portion	4,7	3,2
Estimated compensation cost - pensions and other employee benefits (IAS 19)	2,0	1,6
Expense relating to stock options*	1,4	7,3
Termination benefits	1,3	0,0
<b>Total</b>	<b>18,1</b>	<b>20,6</b>

\* Including the impact of €4,6 millions of prior years IFRS expense being forfeited in 2011 due to stocks option plans performance targets not being met

Employers' social security contributions relating to the above compensation represented an estimated €4.2 million. Pension obligations for the Group's directors and corporate officers totaled €46.7 million.

**NOTE 31 – EMPLOYEES**

<i>(Average number of employees)</i>	<b>2011</b>	<b>2010</b>
<b>Fully consolidated companies</b>		
Managers	25,452	25,077
Administrative employees	76,904	78,699
Other employees	85,999	87,875
<b>Total</b>	<b>188,355</b>	<b>191,651</b>
<b>Proportionately consolidated companies (*)</b>		
Managers	119	65
Administrative employees	657	449
Other employees	910	757
<b>Sub-total</b>	<b>1,686</b>	<b>1,271</b>
<b>Total</b>	<b>190,041</b>	<b>192,922</b>

\* Proportion of headcount allocated to the Group.

At December 31, 2011, the total number of Group employees – including in proportionately consolidated companies – was 192,933 (December 31, 2010: 187,891).

**NOTE 32 – 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.

2011	INNOVATIVE MATERIALS				CONSTRUCTION PRODUCTS				BUILDING DISTRIBU- TION	PACKAGING	Other *	Total
	Flat Glass	High Performance Materials	Intra- Segment Elimi- nations	Total	Interior Solutions	Exterior Solutions	Intra- Segment Elimi- nations	Total				
<i>(in EUR millions)</i>												
External sales	5,419	4,047		9,466	4,933	5,595		10,528	18,487	3,628	7	42,116
Internal sales	41	116	(27)	130	578	372	(52)	898	5		(1,033)	0
Net sales	5,460	4,163	(27)	9,596	5,511	5,967	(52)	11,426	18,492	3,628	(1,026)	42,116
Operating income/(loss)	478	652		1,130	450	636		1,086	768	448	9	3,441
Business income/(loss)	340	588		928	211	541		752	598	437	(69)	2,646
Share in net income/(loss) of associates		1		1	6			6		1		8
Depreciation and amortization	315	160		475	319	185		504	273	237	22	1,511
Impairment of assets	35	29		64	214	17		231	85	3		383
Capital expenditure	684	198		882	332	227		559	219	268	26	1,954
Cash flow from operations				1,102				888	566	512	353	3,421
EBITDA	793	812		1,605	769	821		1,590	1,041	685	31	4,952
Goodwill, net				1,551				5,828	3,408	254		11,041
Non-amortizable brands				0				847	1,931			2,778
Total segment assets and liabilities **				7,786				12,637	8,311	2,255	196	31,185

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

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

2010	INNOVATIVE MATERIALS				CONSTRUCTION PRODUCTS				BUILDING DISTRIBU- TION	PACKAGING	Other *	Total
	Flat Glass	High Performance Materials	Intra- Segment Elimi- nations	Total	Interior Solutions	Exterior Solutions	Intra- Segment Elimi- nations	Total				
<i>(in EUR millions)</i>												
External sales	5,179	3,983		9,162	4,662	5,416		10,078	17,323	3,553	3	40,119
Internal sales	39	105	(23)	121	533	365	(36)	862	3		(986)	0
Net sales	5,218	4,088	(23)	9,283	5,195	5,781	(36)	10,940	17,326	3,553	(983)	40,119
Operating income/(loss)	439	585		1,024	379	685		1,064	578	434	17	3,117
Business income/(loss)	289	594		883	305	623		928	403	404	(94)	2,524
Share in net income/(loss) of associates	1	1		2	5	(3)		2	(1)	2		5
Depreciation and amortization	307	175		482	332	188		520	273	235	25	1,535
Impairment of assets	39	42		81	22	22		44	103	3	1	232
Capital expenditure	413	149		562	195	228		423	188	262	18	1,453
Cash flow from operations				958				834	447	488	277	3,004
EBITDA	746	760		1,506	711	873		1,584	851	669	42	4,652
Goodwill, net				1,459				5,920	3,402	249	0	11,030
Non-amortizable brands				0				835	1,912	0	0	2,747
Total segment assets and liabilities **				7,093				12,368	8,179	2,171	168	29,979

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

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

### Information by geographic area

<i>(in EUR millions)</i>	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	TOTAL
	<b>2011</b>					
Net sales	11,802	18,049	5,505	8,643	(1,883)	<b>42,116</b>
Total segment assets	7,027	12,726	4,713	6,719		<b>31,185</b>
Capital expenditure	327	548	295	784		<b>1,954</b>

<i>(in EUR millions)</i>	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	TOTAL
	<b>2010</b>					
Net sales	11,388	17,063	5,516	7,983	(1,831)	<b>40,119</b>
Total segment assets	6,886	12,373	4,616	6,104		<b>29,979</b>
Capital expenditure	291	428	202	532		<b>1,453</b>

**NOTE 33 – PRINCIPAL FULLY CONSOLIDATED COMPANIES**

The table below shows the Group's principal consolidated companies, typically those with annual sales of over €100 million.

**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	99.99%
Saint-Gobain Glass Deutschland GmbH	Germany	99.99%
SG Deutsche Glas GmbH	Germany	99.99%
Saint-Gobain Glass Benelux	Belgium	99.97%
Saint-Gobain Sekurit Benelux SA	Belgium	99.99%
Saint-Gobain Autover Distribution SA	Belgium	99.99%
Koninklijke Saint-Gobain Glass	Netherlands	100.00%
Saint-Gobain Glass Polska Sp Zoo	Poland	99.99%
Saint-Gobain Sekurit Hanglas Polska Sp Zoo	Poland	97.61%
Cebrace Cristal Plano Ltda	Brazil	50.00%
Saint-Gobain Do Brazil Ltda	Brazil	100.00%
Saint-Gobain Cristaleria SA	Spain	99.83%
Solaglas Ltd	United Kingdom	99.99%
Saint-Gobain Glass UK Limited	United Kingdom	99.99%
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	90.13%
Saint-Gobain Glass India	India	98.71%
Saint-Gobain Glass Mexico	Mexico	99.83%

**HIGH PERFORMANCE MATERIALS**

Saint-Gobain Abrasifs	France	99.97%
Société Européenne des Produits Réfractaires	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	99.97%
SEPR Italia	Italy	100.00%
Saint-Gobain Abrasivos Brasil Ltda	Brazil	100.00%
Saint-Gobain Abrasives BV	Netherlands	100.00%
Saint-Gobain Abrasives Ltd	United Kingdom	99.99%
Saint-Gobain Adfors CZ S.R.O.	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 Construction Products Belgium NV	Belgium	100.00%
CertainTeed Corporation	United States	100.00%
Saint-Gobain Isover AB	Sweden	100.00%
Saint-Gobain Ecophon AB	Sweden	100.00%
Saint-Gobain Construction Product Russia Insulation	Russia	100.00%
BPB Plc	United Kingdom	100.00%
Certain Teed Gypsum & Ceillings USA	United States	100.00%
Certain Teed Gypsum Canada, Inc.	Canada	100.00%
Saint-Gobain Gyproc South Africa	South Africa	100.00%
Saint-Gobain Placo Iberica	Spain	99.83%
Saint-Gobain PPC Italia S.p.a	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%
Mag-Isover K.K.	Japan	99.81%

### EXTERIOR SOLUTIONS

Saint-Gobain Weber	France	100.00%
Saint-Gobain Do Brazil Ltda	Brazil	100.00%
Saint-Gobain Weber Cemarsa SA	Spain	99.83%
Maxit Group AB	Sweden	100.00%
Saint-Gobain Weber AG	Switzerland	100.00%
Saint-Gobain Weber GmbH	Germany	100.00%
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 Ltd	United Kingdom	99.99%
Saint-Gobain PAM España SA	Spain	99.83%
Saint-Gobain PAM Italia S.p.a	Italy	100.00%
Saint-Gobain Canalização Ltda	Brazil	100.00%
Saint-Gobain Xuzhou Pipe Co Ltd	China	100.00%
SG Pipelines 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 Construcccion, S.L	Spain	99.83%
Saint-Gobain Building Distribution Deutschland GmbH	Germany	100.00%
Saint-Gobain Building Distribution Ltd	United Kingdom	99.99%
Saint-Gobain Distribution The Netherlands B.V	Netherlands	100.00%
Saint-Gobain Distribution Nordic Ab	Sweden	100.00%
Optimera As	Norway	100.00%
Saint-Gobain Distribution Denmark	Denmark	100.00%
Sanitas Troesch Ag	Switzerland	100.00%
Norandex Building Material Distribution, Inc.	United States	100.00%

**PACKAGING SECTOR**

Saint-Gobain Emballage	France	100.00%
Saint-Gobain Vidros SA	Brazil	100.00%
Saint-Gobain Oberland Ag	Germany	96.67%
Saint-Gobain Vicasa SA	Spain	99.75%
Saint-Gobain Containers, Inc.	United States	100.00%
Saint-Gobain Vetri S.p.a	Italy	99.99%

**NOTE 34 – SUBSEQUENT EVENTS**

None.



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