2011 ANNUAL REPORT

This English-language version of the annual report is a free translation of the original French text. It is not a binding document. In the event of a conflict of interpretation, reference should be made to the French version which is the authentic text. The auditor's report applies to the French version of the Management Report and the financial statements.

This registration document, incorporating the annual financial report, was filed with the Autorité des Marchés Financiers on March 23, 2012 under number D.12-0212, in accordance with Article 212-13 of the AMF's General Regulation. It may be used as a supporting document for a financial operation, but only alongside an information memorandum approved by the Autorité des Marchés Financiers. This registration document was prepared by Saint-Gobain and is the responsibility of the persons whose signatures appear herein.

CONTENTS

MESSAGE
OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER PIERRE-ANDRÉ DE CHALENDAR

"A sharp increase in results. New capital expenditure and financial investment."

Saint-Gobain achieved very good results in 2011, thereby confirming the effectiveness of its strategic focus on sustainable habitat solutions and its solid positioning. The figures clearly indicate that we are on the right track, despite an uneven year shaped by faster growth in the first half and a loss of momentum in the second. The financial crisis had repercussions in all of the euro zone countries and beyond. Nevertheless, Saint-Gobain enjoyed a sharp increase in annual results that enabled us to fully meet our objectives. At the same time, we pursued our business strategy by increasing capital expenditure and financial investment by over €1 billion (or 67%) during the year to a total of €2.6 billion, compared with €1.6 billion in 2010. All of this was made possible by the extraordinary efforts of our teams, to whom I would like to express my deepest appreciation.

We intend to continue deploying our strategy in 2012, both in developed and fast-growing markets. Therefore, despite a still uncertain economic environment, we will be pursuing targeted growth opportunities in line with our three development avenues: energy efficiency markets, fast-growing markets, and Building Distribution and Construction Products, where we intend to strengthen our positions. We will also continue to invest in research and development, because innovation is a source of considerable added value for the Group.

Times are still uncertain and our visibility of 2012 trends is limited, so we will need to proceed with caution. This will entail being very responsive to changes in our markets and, above all, effectively managing our sales prices in order to pass on the burden of higher raw material and energy costs. We will also have to maintain strict cost discipline, and make additional adjustments in the event that the economy deteriorates further. Lastly, we will continue to keep a close watch on cash management and our financial strength.

Even though we will have to remain vigilant, I am very confident in the future due to our Group's robustness and pertinent strategic positioning.

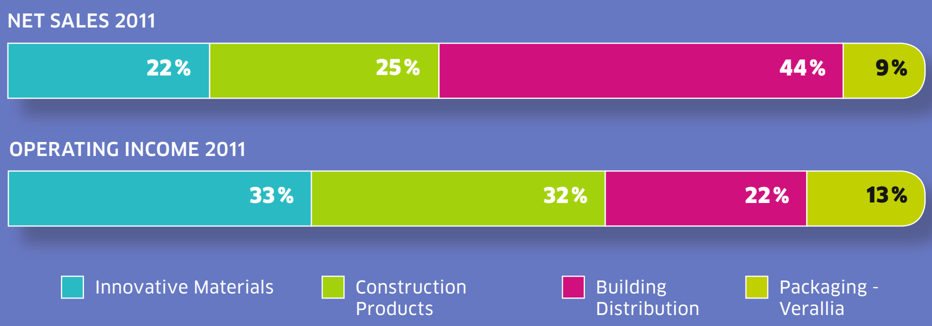
Pierre-André de Chalendar
Chairman and Chief Executive Officer

FINANCIAL HIGHLIGHTS

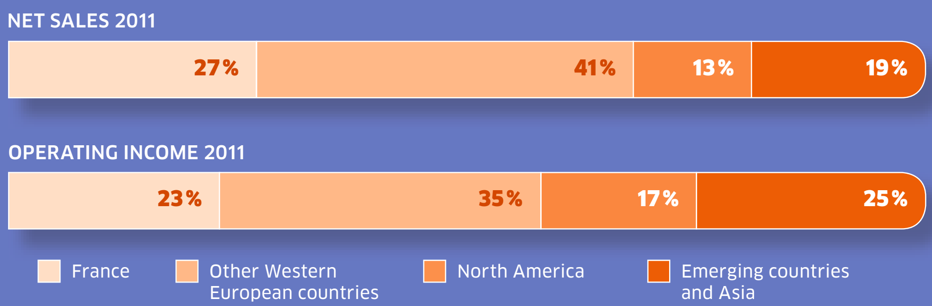
(in € millions)	2011	2010
NET SALES	**42,116**	**40,119**
Operating income	3,441	3,117
Net income	1,360	1,213
Recurring net income (1)	1,736	1,335
Recurring earnings per share (in €) (1) (2)	3.24	2.51
Net income attributable to equity holders of the parent	1,284	1,129
Earnings per share (in €) (2)	2.40	2.13
Total investments (3)	2,638	1,580
Equity (including minority interests)	18,218	18,232
Net debt	8,095	7,168
Non-current assets	29,877	28,933
Working capital	3,161	3,188

(1) Excluding capital gains and losses on disposals, asset write-downs and material non-recurring provisions.
(2) Earnings per share are calculated based on the number of shares outstanding at December 31.
(3) Capital expenditure and financial investments, excluding share buybacks.

BY SECTOR



BY GEOGRAPHIC AREA



Ten-year consolidated financial highlights are presented on page 9.

FOR THE FULL FINANCIAL RESULTS, GO TO
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STRATEGY AND BUSINESSES AT SAINT-GOBAIN

STRATEGY
TO BE THE REFERENCE IN SUSTAINABLE HABITAT AND CONSTRUCTION MARKETS

VISION

To offer innovative solutions to today's core challenges of growth, energy efficiency and environmental protection.

AMBITION

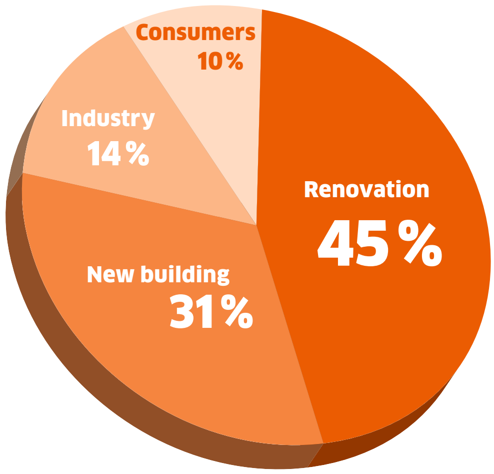
To be the reference in the sustainable habitat and construction markets.

MISSION

To develop construction and renovation solutions for professional customers to ensure that buildings are energy efficient, comfortable, healthy and esthetically superior, while at the same time protecting natural resources.

Positioned to serve the habitat and construction markets

Four end markets [1]



Habitat solutions represent around 80% of our end markets

Saint-Gobain, the world leader [1] in the habitat and construction markets, designs, manufactures and distributes building materials, providing innovative solutions to the challenges of growth, energy efficiency and environmental protection.

The Group's strategic ambition is to be the reference in the sustainable habitat market. This means developing construction and renovation solutions for professional customers to ensure that buildings are energy efficient, comfortable, healthy and esthetically superior, while at the same time protecting natural resources.

This strategy is being deployed across all markets, taking into account their specific characteristics:

- In developed markets, with the looming shortage of fossil fuels and the pressing need to cut CO_2 emissions, buildings are expected to meet ever-higher standards of thermal performance and energy efficiency. The more stringent energy efficiency regulations apply not only to new buildings but also to renovation projects.
- In fast-growing economies, markets are driven by rapidly accelerating urban development and exponential growth in demand for housing and offices.

These trends represent valuable opportunities for Saint-Gobain, which offers easy-to-use solutions aligned with local needs and practices in every segment of the construction market, from homes to offices, and from new building to renovation projects.

(1) Source Saint-Gobain.

CREATING THE BUILDINGS OF THE FUTURE

Saint-Gobain is supporting these transformational trends in the habitat and construction sector by developing solutions that make buildings more energy efficient and that help to protect the planet. That's why the Group invests heavily in research and development. Most of its solutions, such as glass products, glass wool insulation, plasterboard, exterior wall and floor coating mortars, already help to make buildings more energy efficient and will contribute further to their performance in the future.

The home of the future will be a comfortable, healthy haven that fulfills the basic human desire to be protected from the aggressions of the outside world. To make this vision reality, the Group offers design solutions such as decorative glass and paintable woven glass fabrics, as well as products to improve air quality, lighting management systems, and sound absorbing ceiling and plasterboard panels.

Lastly, the buildings of the future will be created in partnership with the main construction industry players, led by a new generation of contractors trained in energy-efficient construction techniques. Saint-Gobain is committed to helping customers and partners embrace these green principles by leveraging the power of its distribution networks. In line with this commitment, in 2011 the Group notably pursued its broad-based program to train builders in emerging energy-saving techniques and solutions.

Saint-Gobain is playing a significant role [(1)] in renewable energy development, focusing on solar power solutions with a presence across the value chain – from component supply and photovoltaic module manufacturing to distribution – and in several markets, including photovoltaic panels and solar heating systems.

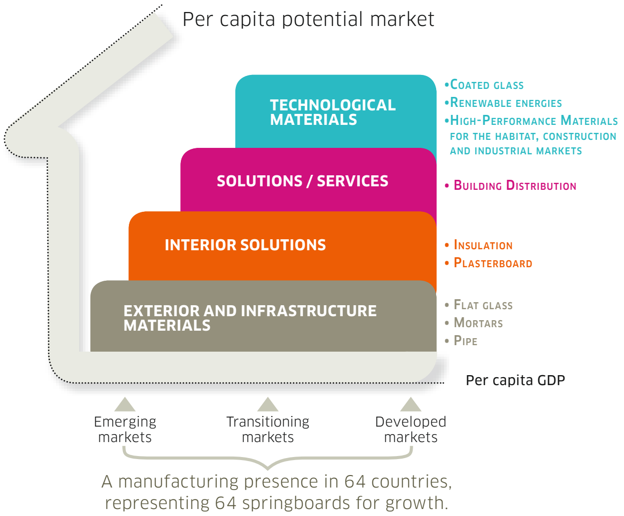
Unique positioning

Saint-Gobain is uniquely positioned to meet the needs of attractive, expanding markets, thanks to its:

- worldwide or European leadership in all of its businesses, with local solutions tailored to the needs of each market;
- solutions combining products and services adapted to customers' needs;
- outstanding potential for innovation, supported by industrial expertise and broad-ranging skills in materials;
- unrivalled portfolio of energy efficiency products and solutions.

A worldwide presence, local responses

Solutions for every stage of the development cycle



By proposing solutions for markets at all stages of development, Saint-Gobain captures opportunities wherever they exist, in expanding segments of both developed and fast-growing markets.

(1) Source Saint-Gobain.

Energy efficiency solutions, driving growth in developed markets

Developed markets are driven by energy performance requirements, particularly in Western Europe where new regulations are coming into force. For example, these regulations will significantly increase the use of large window surfaces in new buildings and encourage the installation of ever more efficient insulation.

The Group intends to strengthen its positioning in high value-added habitat and construction solutions, with the goal of raising their contribution to consolidated net sales to 60% by 2015 from 52% in 2011*.

Its capital expenditure choices and acquisitions strategy will lead it in this direction. Last year saw the acquisition of Solar Gard, a manufacturer of specialty films for the habitat and construction market and the automotive market, and Edicalce, an industrial mortars company based in Italy. The Group also announced the construction of a new proppants plant in the United States, while in Building Distribution, it signed an agreement with UK building materials distributor Wolseley for the acquisition of its Build Center network in the United Kingdom and its French subsidiary Brossette.

Accelerated expansion in Asia and in fast-growing markets

In fast-growing markets, Saint-Gobain's products respond to the strong demand for infrastructure and new buildings. The Group intends to move up a gear in these countries, where the habitat and construction markets offer substantial growth potential due to the rapid pace of urban development and exponentially rising infrastructure needs.

Saint-Gobain is strengthening its presence in all fast-growing regions. In China, construction of a second automotive glass plant in Qingdao has been announced, while in India, the manufacturing base has been expanded, notably with the acquisition of a new float line in the state of Gujarat. In Latin America, the Abrasives business has acquired two Argentine companies and their subsidiaries in Brazil and Uruguay. The Industrial Mortars Activity made three acquisitions in 2011, in Indonesia, Brazil and Turkey. The Insulation Activity built a new glass wool plant in Japan and acquired Linerock, a Russian rock wool company, while the Gypsum Activity expanded in Turkey by acquiring Doğaner, a producer of plaster and plasterboard.

The Group intends to speed its development in Asia and fast-growing markets, with profitability as its priority focus.

The percentage of consolidated net sales attributable to fast-growing countries is targeted to rise to 26% in 2015 from 19% in 2011, with these markets accounting for 39% of aggregate Innovative Materials and Construction Products sales in 2015, versus 33% in 2011.

In the 2011-2015 period, 80% of its growth investments will concern solar solutions, high value-added habitat and construction solutions and expansion in fast-growing countries, with these latter markets accounting for 65% of the total.

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** Excluding packaging and including external growth.*

OPERATIONS IN 64 COUNTRIES

Algeria
Argentina
Australia
Austria
Belgium
Bhutan
Brazil
Bulgaria
Canada
Chile
China
Colombia
Czech Republic
Denmark
Egypt
Estonia
Finland
France
Germany
Greece
Hungary
India
Indonesia
Ireland
Italy
Japan
Jordan
Kuwait
Latvia
Lebanon
Lithuania
Luxemburg
Malaysia
Mexico
Morocco
Netherlands
New Zealand
Norway
Peru
Poland
Portugal
Qatar
Romania
Russia
Saudi Arabia
Serbia
Singapore
Slovakia
Slovenia
South Africa
South Korea
Spain
Sweden
Switzerland
Syria
Thailand
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States
Venezuela
Vietnam
Zimbabwe

Ten-Year Consolidated Financial Highlights

(in € millions)	2011	2010	2009	2008	2007	2006	2005 (1)	2004 (in IFRS)	2004	2003	2002	2001
Net sales (2)	42,116	40,119	37,786	43,800	43,421	41,596	35,110	32,172	32,025	29,590	30,274	30,390
Operating income	3,441	3,117	2,216	3,649	4,108	3,714	2,860	2,743	2,632	2,442	2,582	2,681
Net income	1,360	1,213	241	1,437	1,543	1,682	1,294	1,275	1,120	1,065	1,074	1,174
Recurring net income (3)	1,736	1,335	617	1,914	2,114	1,702	1,284	1,289	1,122	1,020	1,051	1,057
Recurring earnings per share (in €) (3) (4)	3.24	2.51	1.20	5.00	5.65	4.62	3.72	3.78	3.29	2.93	12.32 3.08*	12.40
Net income attributable to equity holders of the parent	1,284	1,129	202	1,378	1,487	1,637	1,264	1,239	1,083	1,039	1,040	1,134
Earnings per share (in €) (4)	2.40	2.13	0.39	3.60	3.97	4.44	3.66	3.63	3.18	2.99	12.2 3.05*	13.30
Total investments (5)	2,638	1,580	1,453	4,507	3,238	2,775	8,747	2,197	2,194	1,911	2,061	2,246
Equity (including minority interests)	18,218	18,232	16,214	14,530	15,267	14,487	12,318	10,863	11,806	11,310	11,542	12,348
Net debt	8,095	7,168	8,554	11,679	9,928	11,599	12,850	6,218	5,566	5,657	7,012	7,792
Non-current assets	29,877	28,933	28,149	28,026	26,041	26,274	26,763	17,183	17,515	17,237	18,840	19,678
Working capital	3,161	3,188	2,952	2,392	2,540 (6)	2,451	2,324	3,181	4,943	5,247	3,951	3,075
Employees (December 31)	194,658	189,193	191,442	209,175	205,730	206,940	199,630	181,228	181,228	172,811	172,357	173,329

(1) Including BPB from December 1, 2005.
(2) Including ancillary revenue for €309 million in 2011, €272 million in 2010, €267 million in 2009 and €318 million in 2008.
(3) Excluding capital gains and losses, asset write-downs and material non-recurring provisions (including a provision for the Flat Glass fine levied by the European Commission).
(4) Earnings per share are calculated based on the number of shares outstanding at December 31.
(5) Capital expenditure and financial investments, excluding share buybacks.
(6) Working capital adjusted for the €560 million provision set aside in 2007 for the Flat Glass fine.
** Adjusted for the four-for-one stock split on June 27, 2002.*

SAINT-GOBAIN'S BUSINESSES

Saint-Gobain is organized around four Sectors:
Innovative Materials, Construction Products, Building Distribution and Packaging.

INNOVATIVE MATERIALS

The Innovative Materials Sector, which comprises the Flat Glass and High-Performance Materials Activities, is Saint-Gobain's technological bridgehead. With its unique portfolio of materials and processes for the habitat, construction and industrial markets, the Sector embodies Saint-Gobain's innovation-oriented culture and accounts alone for almost two-thirds of the Group's total research and development commitment.

CONSTRUCTION PRODUCTS

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

BUILDING DISTRIBUTION

The Building Distribution Sector, which is sharply focused on services for building professionals, private project owners and large companies, has a thorough knowledge of the construction market and how it is changing. It plays a key role in helping craftsmen embrace new building renovation techniques.

PACKAGING

Verallia, Saint-Gobain's Packaging Sector and the world's number two manufacturer of glass containers [(1)], is a major supplier of bottles for wines and spirits and jars for food products. Its products also include glass bottles for beer, fruit juices, soft drinks, mineral water and oil. As a Sector that is not directly involved in Saint-Gobain's sustainable habitat strategy, Verallia is planned to be gradually divested.

(1) Source Saint-Gobain.

INNOVATIVE
MATERIALS

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FLAT-GLASS

With more than 34,000 people in 41 countries, the Flat Glass Activity is the leading flat glass manufacturer in Europe and number two worldwide [1]. It comprises four main businesses: flat glass manufacturing; processing and distribution of glass for the building industry; automotive, aircraft and railcar glazing; and distribution of glass products, photovoltaic modules and systems for the solar energy market.

The Activity is supported by two dedicated research centers, in Germany (Herzogenrath) and France (Chantereine), and by the Saint-Gobain Research center in France (Aubervilliers).

Flat Glass

Flat glass is manufactured in large industrial facilities on long float lines that produce everything from basic clear and colored grades to more sophisticated types with metallic oxides or other special coatings for use in a wide range of applications, such as insulation and solar control glass. The Flat Glass Activity has 36 float lines worldwide, including 8 operated with partners. Over a third of the glass produced by the Activity's flat glass plants is further processed before being sold, notably for the building and automotive industries. In addition to the core product range, the Activity also manufactures specialty colored, high light transmitting and embossed glass. Eurokera, a joint venture set up with Corning Glass Works, manufactures and sells glass ceramics and is the joint world leader [1] in ceramic glass hobs.

Last year saw a further increase in flat glass production in fast-growing markets, with the acquisition of a float line in India and the demothballing of two European float lines, in Poland and Italy.

Processing and distribution of glass for the building industry

Conducted through a network of downstream processing and distribution companies, the Building Transformation business covers a broad spectrum of applications, including wall facings, large architectural projects, urban amenities, industrial joinery, furniture, bathroom fixtures and interior decoration. All of these applications have benefited from ground-breaking innovations, such as low-emission (low-E) glass, solar-control glass, shatterproof glass, fireproof glass, and intelligent glass sold under the Quantum Glass™ brand. One example is electrochromic glass, which darkens in response to an electrical charge, offering total control over solar transmission and combining protection with visual comfort and energy efficiency. The world's first plant for the mass production of electrochromic glass, to be operated in partnership with US-based SAGE Electrochromics, is due to come on stream in the second half of 2012. The Flat Glass Activity also offers specialty glass products that are well positioned in their respective markets, such as oven door and refrigerator glass (Euroveder), industrial optics and industrial refrigeration (Sovis).

Automotive glazing

Saint-Gobain Sekurit supplies the world's major carmakers with windshields, side windows, rear windows, glass sun-roofs and other ready-to-assemble modules. These are all complex, rapidly evolving products featuring advanced toughening, lamination and tinting technologies and high-performance coatings. They help reduce vehicle energy consumption and deliver the safe, comfortable driving experience today's users expect, for example with the greater visibility offered by panoramic windshields and the well-being afforded by soundproof window glass and windshields that are heated in winter and absorb heat in the summer. The Activity also serves other segments of the transportation industry, with glazing products for aircraft, railcars, trucks and armored vehicles.

Sales were high in 2011, thanks to vibrant demand not only in emerging markets but also in Western markets, despite the withdrawal of scrappage incentives. To meet customer expectations more effectively, Saint-Gobain Sekurit is pursuing its expansion in fast-growing regions, adding production capacity in Asia, Morocco and Eastern Europe.

Solar energy solutions

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

At the end of 2011, Avancis in Germany inaugurated a new production line with an annual capacity of 100-megawatts that uses copper-indium-gallium-selenium (CIGS) technology, without any heavy metals. Another line is under construction in South Korea, in partnership with Hyundai Heavy Industries.

(1) Source Saint-Gobain.

Flat Glass

Businesses and Products	Main Applications	Main Competitors	Competitive Ranking (1)
Flat glass	• Plain & tinted glass, coated glass	• NSG (Japan) • Asahi (Japan) • Guardian (United States) • P.P.G. (United States) • Şişecam • Various Chinese glassmakers	
Building products manufacturing and distribution	• Glass for residential and commercial construction, renovation and interior design projects; intelligent glass		No.1 in Europe No.3 worldwide
Automotive glazing	• Safety glass for the automotive, transportation and aircraft markets		No.1 in Europe No.2 worldwide
Solar energy solutions	• Photovoltaic systems, solar heating and solar thermodynamic systems	• Glassmakers and photovoltaic module manufacturers	No.1 in Europe No.2 worldwide for the production of glass for photovoltaic systems
Specialty glass	• Fireproof glass, nuclear safety glass, industrial optics, glass for household appliances and industrial refrigeration	• Schott (Germany)	Leader or joint leader worldwide

HIGH-PERFORMANCE MATERIALS

With operations in 42 countries and over 27,000 employees, the High-Performance Materials Activity delivers high value-added solutions to the many different complex problems encountered by the manufacturing and construction industries.

The Activity is proficient in three main types of materials – mineral ceramics (though the Ceramic Materials, Grains & Powders, Crystals and Abrasives businesses), performance polymers (Performance Plastics) and glass fabrics for the construction and manufacturing industries (Saint-Gobain Adfors). It has acquired leading edge expertise in a range of technologies, enabling it to leverage all the benefits of these highly complementary materials and to develop solutions that meet its customers' specific needs.

With its unique portfolio of materials and technologies, the High-Performance Materials Activity makes a decisive contribution to Saint-Gobain's sustainable building strategy. In the area of photovoltaic systems, for example, the Activity supplies silicon substrate cutting tools and produces plastic films for making flexible solar modules. Similarly, many of the products developed by Saint-Gobain Adfors help to improve buildings and protect the environment.

Most of the Activity's solutions are developed jointly with customers, in order to match their needs as closely as possible. Examples include plastic products (such as films for e-book reader displays or pharmaceutical products), highly sophisticated refractory products for the metalworking and glassmaking industries, and crystals for radiation detection systems.

The High-Performance Materials Activity allocates a high proportion of net sales to research and development (3.6% in 2011). The research and development commitment is split between large projects and a number of specialist areas, demonstrating the immense potential of these types of materials to address energy and environmental challenges. Examples of these projects include:

- ceramic fuel cell technology for decentralized energy production, notably for use in domestic applications;
- solar solutions, which are a key growth area for the High-Performance Materials Activity. The Activity has developed solutions for a wide range of photovoltaic technology applications, such as performance plastic films and foams for photovoltaic panels, including protective films for flexible panels, and abrasive grains used to cut silicon slabs intended for silicon-based photovoltaic cells. It also offers a range of components for concentrator-based solar power plants, primarily thanks to its expertise in high-performance ceramics, and is developing energy storage solutions, which are critical to the development of renewable energies.

The Activity has two dedicated research centers, in the United States (Worcester) and in France (Cavaillon), that are supported by a variety of other research and development teams based at its large industrial facilities. In addition, the Saint-Gobain research centers in Shanghai (China) and Aubervilliers (France) also work on High-Performance Materials projects.

During 2011, the Activity consolidated and strengthened its businesses, and also increased capacity at certain plants in fast-growing markets (Brazil, China, India, Mexico) to meet expanding local demand.

The High-Performance Materials Activity comprises four businesses: Ceramic Materials, Abrasives, Performance Plastics and Saint-Gobain Adfors.

(1) Source Saint-Gobain.

Ceramic Materials

The Ceramic Materials business extends from the synthesis and conversion of raw materials (Grains & Powders) to the manufacture of products for high value-added applications, such as refractories for glass and blast furnaces.

In the value chain, the Grains & Powders business comes just after the production of silica and zirconium sands, bauxite and other mineral raw materials. Saint-Gobain is the world leader [1] in the purification, crushing, melting and sintering of these materials. It sells high-value suspensions and powders for the ceramics industry, aluminum oxide and zirconium oxide abrasive grains, and finished products. Typical products include pigment powders for home ceramic tiles.

For the energy market, the Group has developed proppants that are used to enhance oil reservoir recovery rates.

The global market leader [1] in Ceramics, the Group serves a wide range of industries with products that deliver the remarkable properties of high-performance ceramics, such as exceptional mechanical strength, hardness, heat resistance, controlled porosity, and light weight. Examples include the particularly sophisticated refractory ceramics used in glass furnaces that produce specialty glass for flat screen displays and the refractory ceramics used in the steel industry. In addition to being world leader [1] in these traditional markets, the Group has also launched ambitious development projects to address emerging challenges and in 2012, it is planning new industrial projects in India, China and the United States.

Crystals are used in many advanced technologies for their optoelectronic and other unique properties. For example, they are used to make light-emitting diodes (LEDs), a highly energy-efficient lighting solution for the future that the Group is actively helping to develop. In addition, Saint-Gobain supplies sensors used in medical imaging machines and airport luggage scanners.

Abrasives

Abrasives is another business in which Saint-Gobain leads the world [1], thanks to the Ceramic Materials business's expertise in producing the ceramic grains on which most abrasive products are based. Saint-Gobain Abrasives covers the entire spectrum of abrasives, providing expertise and solutions at every process stage, from slabbing and cutting to polishing, grinding and surface-finishing. The markets served are also wide-ranging, including habitat and construction (from rough cutting of concrete walls and floors to sanding of wooden floors and polishing for decorative finishes), heavy industry (steelworks and paper mills), and manufacturing and high-tech industries (automotive, aerospace and electronics). Innovation drives the development of increasingly efficient and reliable products that are easier to use and longer lasting.

Saint-Gobain is investing in new capacity and targeted acquisitions to keep up with the very rapid pace of abrasives market growth in Asia and South America. In 2011, two Argentine companies – Abrasivos Argentinos S.A. and Dancan S.A. – were acquired at the end of the year and a new plant was built in China.

Performance Plastics

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

In the United States, the Performance Plastics business is developing products with very promising applications, including films for photovoltaic cells and for e-book reader displays. In 2011, it continued to expand by acquiring Solar Gard, a company specialized in the development, manufacture and distribution of coated films for the habitat and construction market, the automotive market and various industrial applications. As a coating and processing expert, Solar Gard produces solar control films that contribute to reducing energy consumption, tinted films to ensure privacy and security films to protect against window breakage from attempted break-ins and storms.

Saint-Gobain Adfors

Saint-Gobain Adfors makes and distributes glass fiber yarns and fabrics, chiefly for habitat and construction applications. Its high-performance solutions include glass fiber mesh for exterior wall insulation, a technique increasingly used in Europe. It also markets a growing range of paintable glass fabrics, a simple, elegant interior decoration solution that has been further enhanced with acoustic correction capabilities. In 2011, Saint-Gobain Adfors actively pursued its product differentiation strategy.

(1) Source Saint-Gobain.

High-Performance Materials

Businesses and Products	Main Applications	Main Competitors	Competitive Ranking (1)
Ceramic Materials			
Grains & Powders	• Raw materials for abrasives and ceramics industries • Mineral pigments for domestic ceramics • Catalyst substrates for the petrochemical industry • Proppants for the oil industry • Ceramic balls for micro-grinding applications	• Carbo Ceramics (United States) • Imerys (France)	• No.1 worldwide in silicon carbide • No.1 worldwide in zirconium-based abrasives • No.1 worldwide in ceramic balls • No.2 worldwide in proppants
Refractories	• Ceramic blocks for the manufacture of industrial furnaces for glass, ceramic, metallurgy & energy applications (including special glass for LCD screens) • Armor plating for the defense industry	• Asahi (Japan) • Cookson Vesuvius (UK) • RHI (Austria)	• No.1 worldwide in refractories for glass and non-ferrous metal industries
Crystals	• Sensors for medical imaging, oil exploration and security and safety applications • Substrates, components & equipment for the semi-conductor and light-emitting diode industries	• Kyocera (Japan) • II-VI (United States)	• No.1 worldwide in scintillation systems
Abrasives			
Bonded abrasives	• Roughing, grinding and sharpening of materials and tools in aerospace, automotive, metal processing, steel and bearings industries	• Winterthur Technology – 3M (Switzerland) • Noritake (Japan) • Tyrolit (Austria)	• World leader in all abrasive businesses
Thin grinding wheels	• Cutting, deburring, metal processing, maintenance, energy, steel, construction and DIY applications	• Tyrolit (Austria) • Comet (Slovenia) • Pferd (Germany) • Rhodius (Germany)	
Coated abrasives	• Surface treatment and sanding applications in aerospace, automotive, furniture, hand tools, steel, jewelry, watchmaking & biomedical industries	• 3M (United States) • Hermes (Germany) • Klingspor (Germany) • SIA (Switzerland)	
Superabrasives	• Precision tools for aerospace, automotive, bearings, cutting tools, electronics & composite materials industries • Glass industry	• Asahi (Japan) • Noritake (Japan) • Winterthur Technology – 3M (Switzerland)	
Construction Products	• Building materials industry • Diamond saws • Drills	• Husqvarna (Sweden) • Tyrolit (Austria)	
Performance Plastics			
Bearings and seals	• Friction parts for automotive, aerospace and industrial machinery applications	• Trelleborg (Sweden) • Glacier Garlock (United States) • Oiles (Japan)	• No.1 worldwide in automotive bearings
Fluid systems	• Tubes, valves and connectors for fluid control systems in agri-food, bio-medical, automotive & semiconductor industries	• Entegris (United States) • Stedim (France) • Parker Hannifin (United States) • Kuriyama (Japan)	• No.2 worldwide in specialty pipes
Films, foams & coated fabrics	• Adhesive coatings, architectural units, radomes, protective gear, cooking surfaces, composite material molds, metal-glass seals for the automotive and construction industries, coated films for architectural glazing and automotive applications	• 3M (United States) • Rogers (United States) • DuPont (United States) • Nitto Denko (Japan)	• No.1 worldwide in fluoropolymer-coated fabrics
Saint-Gobain Adfors			
Glass fiber yarn	• Bobbins of glass fiber yarn for the textile industry	• AGY (United States) • P.P.G. (United States) • Nittobo (Japan)	• No.1 worldwide in construction fabrics
Reinforcement fabrics for construction and manufacturing	• Wall facing reinforcements, paintable fabrics, mosquito netting, strengtheners for roof waterproofing systems, geotextiles	• Johns Manville (United States) • Phifer (United States) • Vitrulan (Germany)	• No.1 worldwide in paintable fabrics • No.1 worldwide in construction fabrics

(1) Source Saint-Gobain.

CONSTRUCTION
PRODUCTS

With some **48,000 people** in **55 countries**, the Construction Products Sector is the global leader in interior and exterior building solutions. Thanks to its high-profile brands and broad geographic footprint, it has solutions for every construction need including plaster and plasterboard products, acoustic and thermal insulation products, wall facings, roofing products and pipes.

The Sector's strategy is to:

- focus on expanding the business in fast-growing markets and in the energy efficiency segments of developed markets;
- maintain the pace of innovation in all areas, whether it is terms of technology organization or customer service quality.

INTERIOR SOLUTIONS

Gypsum

With 130 production facilities worldwide and over 12,000 employees, the Gypsum Activity is the world's leading supplier (1) of plaster and plasterboard. Its operations consist of extracting gypsum – an abundant mineral found in the earth's crust – and converting it into a wide range of plaster-based products used for construction and decoration.

The comprehensive lineup of solutions for partitions, wall linings, ceilings and floors meets high technical specifications in terms of fire and damp resistance and thermal and acoustic insulation. Easy to install, the products respond to increasing customer demand for a comfortable and visually pleasing home environment. The Gypsum Activity's solutions don't just comply with the most exacting technological standards and help to promote their widespread adoption, they also aim to remain a step ahead of new regulations concerning, for example, the protection of interior air quality.

With its ranges of traditional and advanced plasters and plasterboards marketed under well-known brands such as Placo®, Gyproc, Rigips and CertainTeed, the Gypsum Activity holds significant market shares in both developed and emerging markets. The ceiling business also benefits from the solid position of such brands as Ecophon, Eurocoustic and Gyptone, and offers thanks to the combination of specialized brands a comprehensive array of high-performance solutions.

Identified reserves at the Activity's 75 gypsum quarries represent several decades of production at current extraction rates. Large quantities of synthetic gypsum are also used and plasterboard recycling systems have been set up to expand the Activity's sources of raw material.

The Gypsum Activity has a clear-cut strategy to grow the business and consolidate its global leadership by pursuing the following objectives:

- leverage innovation and research capabilities to drive product development and showcase high value-added systems;
- expand its activities in emerging economies to keep pace with local construction markets dynamics, particularly in Eastern Europe, Latin America, Africa and Asia;
- continue to improve manufacturing infrastructures and cut costs;
- generate synergies in line with Saint-Gobain's sustainable building strategy.

Insulation

With some 10,000 people worldwide, the Insulation Activity designs, develops and sells thermal and acoustic insulation products and solutions for use in buildings. It is the world leader (1) in mineral-wool insulation products, in terms of sales and the number of industrial patents.

The Activity's products made from mineral wool (glass wool and stone wool) and polystyrene foam are marketed worldwide under the ISOVER brand, in the United States under the CertainTeed brand and in Japan under the Mag-ISOVER brand. These high-performance solutions respond to the growing demand for energy-efficient and comfortable buildings, as well as meeting certain specific needs in industrial facilities.

Insulation products are sold as rolls, panels, loose wool and in shell formats, according to customer needs, and services are also available such as installer training. The main product applications are in the residential and commercial building and renovation industries, for roof, wall and floor insulation or to reduce energy consumption and noise for maximum efficiency and comfort. Other construction industry needs are also addressed, such as heating and air conditioning system insulation. In addition to these building and renovation applications, the Activity also supplies technical insulation solutions for industrial facilities, ships, trains and cars, as well as products for niche sectors such as soil-less (hydroponic) cultivation.

The tighter energy efficiency standards introduced in many countries are helping to drive up demand for the Activity's core thermal and acoustic insulation solutions.

The Activity insulates one in three houses in Europe and one in five in the United States (1). It has operations in all five continents either as a direct producer or via licensees.

(1) Source Saint-Gobain.

The Insulation Activity's strategic objectives are to:

- extend its leadership in mineral wool insulation by developing innovative systems, particularly for the renovation market;
- build a comprehensive insulation offering, by incorporating expanded polystyrene foam (EPS) and extruded polystyrene foam (XPS);
- establish a strong local presence by promoting transfers of technical, commercial and marketing expertise between subsidiaries in order to respond more effectively to each market's needs;
- contribute actively to sustainable development by improving the environmental performance of its plants and products and by promoting the use of mineral wool insulation as an effective response to environmental and sustainable building concerns.

EXTERIOR SOLUTIONS

Exterior Products

The Exterior Products Activity, which employs over 3,000 people, is a leading player [(1)] in the North American habitat and construction market. Its comprehensive array of products designed specifically for North-American-style homes is marketed under the CertainTeed brand.

The roofing lineup consists of top-of-the-line asphalt and composite shingles available in a wide range of styles and colors, while for exterior walls, CertainTeed offers a broad selection of easy-to-maintain vinyl and fiber cement siding that combines beauty and durability. Other exterior products for the homebuilding and renovation market include fences, railings and decks made from PVC or composite materials.

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

The strategic objectives of this business are to:

- extend CertainTeed's leadership of the US market and increase the brand's market share in Canada;
- become the reference supplier of innovative construction products and systems;
- broaden the product range and develop new distribution channels;
- contribute actively to sustainable development by enhancing the environmental profile of its plants and products.

Pipe

With some 11,000 people, the Pipe Activity leverages its more than 150 years of experience in the water supply market to offer comprehensive solutions that meet the highest specifications.

Under the global PAM brand, the Pipe Activity designs and sells:

- complete ductile cast iron pipe systems for:
  - drinking water, irrigation, sanitation and rainwater drainage,
  - industrial utility and process circuits,
  - fire sprinkler systems;
- valves, sprinklers and connectors for water networks;
- ductile cast iron and steel municipal castings for network access (water, wastewater and telecommunications);
- complete cast iron wastewater and rainwater drainage systems for buildings;
- cast iron underground heat exchangers.

With a view to ensuring a local footprint, the Pipe Activity is organized internationally around three units, Water & Sewage, Municipal Castings, Soil & Drain.

The quality of the Pipe Activity's solutions is widely recognized by customers, who particularly appreciate the durability, ease of installation and performance of its pipe systems, the reliability of its products and services, and the depth and breadth of its offer.

Fully committed to the principles of sustainable development, the Activity develops solutions that have a remarkably small environmental footprint. Because they are durable, water-resistant and recyclable, they reduce consumption of water and raw materials.

Products are sold in over 140 countries from manufacturing bases in France, Germany, Spain, the United Kingdom, Italy and Brazil as well as from more recently developed plants in China, the Czech Republic and South Africa. The Activity ranks no.1 worldwide for the production and marketing of ductile cast iron pipe systems and no.1 in Europe for municipal castings and cast iron wastewater and rainwater drainage systems for buildings [(1)].

The Pipe Activity's strategic objectives are to:

- consolidate its leadership and technological advance by leveraging its innovation capabilities and service quality;
- achieve the highest standards of manufacturing excellence and efficiency;
- develop effective responses to today's major societal and sustainable development challenges with its ductile cast iron solutions.

(1) Source Saint-Gobain.

Industrial Mortars

The Industrial Mortars Activity, which has some 11,000 employees and markets its products under the Weber brand, is the world leader [(1)] in its field, ranking no.1 worldwide for tile adhesives and grouting, and no.1 in Europe for exterior wall insulation systems and flooring systems. It has operations in 44 countries, supported by a network of some 180 industrial facilities.

The Activity comprises three business units:

- industrial mortars, marketed under the Weber global brand;
- expanded clay aggregates, mainly sold under the Leca brand;
- site and plant equipment, supplied through m-tec.

Weber offers a comprehensive lineup of exterior wall decoration, protection and insulation solutions for the residential, commercial and industrial building markets.

The mortars are available in a wide range of colors and surface effects with a choice of technical functions, such as insulation, repair and damp-proofing of exterior walls.

In Europe, the offer is adapted to each local market, in terms not only of insulating performance but also of architectural styles and the general environment.

The lineup is supported by a full range of services that include classroom theory and onsite training for contractors and specifiers.

Weber's tiling products represent safe, easy-to-implement solutions adapted to each situation and based on local tiling techniques. They comprise cement and resin-based adhesives and grouting for fixing all types of tiles on all types of surfaces, and for decorative and technical joints. Flooring solutions are designed for a wide range of applications, such as new or renovated concrete toppings, screed to create a level base for other flooring, and colored mortars for a decorative effect. The lineup also includes technical products for high traffic areas such as shopping malls, which are designed for rapid installation to keep downtime to a minimum, and solutions to meet specific technical challenges, such as under floor heating systems.

The construction mortars offer comprises a full range of technical mortars for repair, sealing, blocking, pointing, renovation and waterproofing applications. By providing practical solutions to problems routinely encountered during construction and renovation projects, they help to smooth the workflow and make life a lot easier for the project manager.

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

Leca supplies expanded clay pellets for use in road construction and civil engineering projects as well as in light concrete and mortars to improve insulation performance and reduce the weight of materials handled and used on construction sites. Clay aggregates are also highly suitable for fast-growing emerging applications, such as in solar power plants and green roofs.

m-tec offers turnkey solutions to on-site mortar needs, including plants, logistics systems, mobile silos, mixing, pumping and conveyor systems. Lastly, a range of additives is marketed in the Middle East to meet growing construction industry demand for concrete with improved technical properties.

The Industrial Mortars Activity's strategic objectives are to:

- consolidate its worldwide and regional leadership, in particular by developing innovative solutions and effective services;
- deploy best worldwide practices to meet local needs;
- build sales in fast-growing markets;
- support improvements in energy efficiency.

(1) Source Saint-Gobain.

Construction Products

Businesses and Products	Main Applications	Main Competitors	Competitive Ranking [1]
Gypsum			
• Plasterboard (including with specific functions) • Plaster: construction plaster and other specialty plasters • Plasterboard fastening systems and accessories • Ceiling tiles and panels • Soundproof ceilings • Metal frames	• Partitions, ceilings & flooring for residential and commercial buildings • Interior thermal insulation • Soundproofing solutions • Fire protection solutions • Shockproofing solutions • Damp-proofing solutions • Interior air quality solutions • Interior decoration • Ceramic & metal moldings	• Lafarge (France), whose Gypsum assets were sold to Etex (Belgium) and Boral (Australia) in 2011 • Knauf (Germany) • USG (United States) • National Gypsum (United States) • Georgia Pacific (United States) • Yoshino (Japan) • BNBM/Taihe (China) • Armstrong (United States)	• World leader
Insulation			
• Glass wool • Stone wool • Ultimate® mineral wool • Expanded polystyrene foam • Extruded polystyrene foam • Hemp insulation • Air tightness membranes • VIP fiber rolls	• Thermal and acoustic insulation of residential, office and industrial buildings • Technical insulation for industrial facilities and air conditioning and heating systems • Insulation for ships, trains, cars and household appliances • Substrates for hydroponic cultivation	• Owens Corning (United States, China) • Johns Manville (United States) • Rockwool (Europe) • Ursa (Europe) • Knauf (United States, Europe) • BASF (worldwide) • Dow Chemicals (worldwide) • Kingspan (Europe) • Technonicol (Russia)	• World leader, all insulating materials combined • World leader in mineral wool • No.1 in Europe in airtightness solutions • No.1 in Europe in expanded polystyrene foam
Exterior Products			
• Siding • Vinyl fences, decks, railings • Asphalt and composite roofing shingles • Piping and foundation products • Fiber-cement	• Single family homes and apartment buildings • New building, repair and renovation markets	• Ply Gem (United States) • Georgia Gulf (United States) • Alside (United States) • James Hardie (United States) • Trex (United States) • Fiberon (United States) • Owens Corning (United States) • Tamko (United States) • Nichiha (United States) • GAF (United States) • Azek (United States) • Versatex (United States)	• No.2 in the United States for vinyl siding • No.3 in the United States for siding • No.3 in the United States for roofing shingles • No.2 in the United States for fiber-cement
Pipe			
• Complete piping systems in ductile cast iron, pipe connectors and fittings • Ductile cast iron and steel manhole covers • Complete cast iron wastewater and rainwater drainage systems for buildings	• Drinking water supply systems • Irrigation systems • Sewage systems • Sprinkler systems • Wastewater and rainwater drainage for buildings • Utility access (manholes)	• Xinxing (China) • Electrosteel (India) • Jindal (India) • US Pipe (United States) • Mac Wane (United States) • Kubota (Japan) • Duktus (Germany) • East Jordan/Norinco (United States/France) • Wavin (Netherlands) • PipeLife (Austria)	• World leader in ductile cast iron pipe systems • European leader in ductile cast iron municipal castings • European leader in cast iron wastewater and rainwater drainage systems for buildings
Industrial Mortars			
• Wall rendering products • Tile adhesive & grouting • Flooring screed • Technical mortars • Interior rendering • Masonry mortar • Expanded clay aggregate • Cement additives	• Exterior wall decoration and protection • Exterior thermal insulation • Stonework renovation • Tile fixing • Decorative and technical pointing • Tile cleaning and protection • Concrete toppings and leveling compounds • Technical and decorative flooring • Building waterproofing • Concrete repairs • Masonry building and finishing • Lightweight blocks • Civil engineering and highway bedding solutions	• BASF (Germany) • Mapei (Italy) • Sto (Germany) • Materis (France) • Sika (Switzerland) • Baumit (Austria) • Ardex (Germany)	• World leader in industrial mortars

(1) Source Saint-Gobain.

BUILDING
DISTRIBUTION

With a network of over **4,200 sales outlets** and **67,000 employees** in 26 countries, the Building Distribution Sector is Europe's leading building materials distribution network. It serves the new building, renovation and home improvement markets.

The Building Distribution Sector targets craftsmen, small and medium-sized enterprises, private project owners and large companies via a network of strong and complementary trading brands, either generalist or specialist. Rooted in its local market, each brand has a unique position to meet the specific needs of each type of customer and market.
Together, they contribute to the Sector's overall sales effectiveness. The Sector deploys best practices in all its host countries, while maintaining a high level of responsiveness to the local market. This nimble, proactive organization makes it possible to provide a product offer that caters to a variety of businesses and meets a wide range of expectations in terms of products, styles, services and trends.

The Saint-Gobain Building Distribution Sector is Europe's leading distribution network of building materials (1), the no.1 European distributor of plumbing, heating and sanitaryware products, and the no.1 tile distributor in the world.

The Sector's strategic priorities are those of a market leader: to be at the forefront of innovation to offer customers the best service and added value, to promote the most efficient solutions to increase the energy efficiency of new buildings or buildings to be renovated, strengthen its networks and logistics, and invest in its teams' development.

Brands and teams that make the difference

In France, Point.P Matériaux de Construction is the generalist brand of the Point.P group, the leading building materials distributor. The Point.P group mainly targets building professionals via an array of generalist and specialist brands. With a network that covers the whole of France and serves the new building and renovation markets, it provides a complete range of energy efficient solutions.

Lapeyre, the main brand of the Lapeyre group, is specialized in home improvement through its different areas: fittings, bathroom, kitchen, joinery and flooring. It offers bespoke services to its customers. Both a manufacturer and distributor, the Lapeyre group works on the renovation and new building markets.

In the United Kingdom, Jewson is the generalist brand of Saint-Gobain Building Distribution UK & Ireland, the leading (1) supplier of timber and building products. SGBD UK & Ireland mainly targets small and medium-sized enterprises and tradespeople. Its network is made up of a portfolio of generalist and specialist brands serving the new building, renovation and durable home improvement markets.

In Germany, Raab Karcher is the generalist brand of Saint-Gobain Building Distribution Deutschland GmbH. A leader on the country's building materials distribution market (1), Its network is made up of complementary generalist and specialist brands to meet the needs of all types of customers, markets and projects. The Raab Karcher brand also operates in the Netherlands, Poland, Hungary and the Czech Republic.

In the Nordic countries, Dahl, no.1 distributor of plumbing, heating and sanitaryware products (1), and Optimera, a major player in the distribution of building materials, are the main brands of Saint-Gobain Distribution Nordic. They serve the new building, renovation and sustainable solutions markets.

In Southern Europe, the Sector is present in Spain, Portugal and Italy through a network that includes generalist brands as well as brands specialized in interior fittings, tiles, and plumbing-heating-sanitaryware solutions.

In the United States, Norandex markets exterior building products such as siding, windows, roofing and doors, while Meyer Decorative Surfaces offers laminate and related products for the kitchen and bathroom furniture.

The Sector is represented in Brazil by Telhanorte, a builders' merchant specialized in home improvement and more particularly, tiles, bathrooms and kitchens. In Argentina, Barugel Azulay is a distributor of sanitaryware, tiling, and wooden floor products.

Customer-focused innovation

The Building Distribution Sector's success stems not only from its extensive network, but also from its innovation capabilities. By placing customers at the heart of its strategy, it plays a vital role in helping contractors understand and embrace new building renovation techniques, new regulations and emerging markets.

Always on the look-out for customers' latest requirements, the brands are constantly looking for new solutions to give customers a professional solution, the relevant expertise and an increased added value. This is reflected in products and services, sales concepts, showrooms, training centers, practical guides, professional advice and logistics.

- In France, 2011 saw the re-opening by Point.P of the Plateforme du Bâtiment outlet for building professionals in Aubervilliers, a Paris suburb. The renovated and extended outlet is the Group's first facility to be certified to High Environmental Quality (HQE) standards, with a performance that exceeds the requirements of France's energy efficient building (BBC) standard. To limit its environmental impact, the new building has been designed to meet the highest standards of energy performance and comfort, and to blend harmoniously into the urban landscape. The project was carried out as part of Saint-Gobain's CARE 4® environmental quality program.

(1) Source Saint-Gobain.

Lapeyre has added a new window configurator application to its website (www.lapeyre.fr) to support and assist customers more effectively. In just a few clicks of the mouse, customers can obtain a price estimate for turnkey window installation.

- To help customers acquire the skills needed to comply with sustainable building regulations in the United Kingdom, Jewson has published a "Sustainable Building Guide" for building professionals. Full of practical advice and explanations, it provides information about regulations and government incentives, along with a comprehensive overview of sustainable building products, solutions and systems. Customers who want to learn more can sign up for a training course at Jewson's Greenworks Academy.
- In Germany, selected outlets offer Solarkauf, a full range of products and accessories for the photovoltaic market packaged in an all-in-one solution.
- In Northern Europe, Dahl continued to deploy its innovative concept. After Denmark, the brand recently opened its first "Klimacenter" in Norway. Like the one in Denmark, the Norwegian "Klimacenter" combines a showroom, a training center, and a skills center devoted to renewable energies and ventilation systems, where professional builders and end users can test all the products in order to find the most effective environmentally friendly and energy efficient solutions.
- The Sector's brands also continued to innovate in the area of e-commerce, launching a wide variety of Smartphone apps in 2011. For example, in the United Kingdom, Graham and Jewson have applications that enable customers to find their nearest store, to be notified of exclusive offers and to put technical questions to an adviser. The Point.P and Raab Karcher applications also have a search engine to locate the nearest store, check the opening hours, obtain product information and receive the network's latest news.

Pooling resources to strengthen each brand's position

Through sharing experiences between its brands, creating synergies and putting the customer at the heart of its strategy, the Building Distribution Sector intends to get the most from its size and diversity, as well as its teams' experience and their ability to react on a local level.

The July 2011 announcement of the planned acquisitions of Build Center in the United Kingdom and Brossette in France contributes to this goal. Build Center, one of the UK's leading general builders' merchants, offers an excellent geographic fit with the Jewson network and will strengthen Jewson's leadership position.

Brossette is a distributor of plumbing-heating-sanitaryware products in France. It also promises a strong geographic fit with the Saint-Gobain Building Distribution Sector's French plumbing-heating-sanitaryware business, which primarily operates under the Cedeo brand.
The acquisition will enable the Group to enhance its position in the plumbing-heating-sanitaryware distribution business in France and more broadly in Europe, where it already has prime positions, thanks in particular to Dahl in the Nordic countries and Graham in the United Kingdom.

Building Distribution

Businesses and Products	Main Applications	Main Competitors	Competitive Ranking [(1)]
• Distribution of construction materials for the new building and renovation markets • Industrial joinery	• Individual and collective housing market • House fittings: fitted kitchens and bathrooms, interior fittings, doors and windows, wall and floor coverings, plumbing-heating-sanitaryware solutions	• Wolseley (United Kingdom, France, Nordic countries) • CRH (United Kingdom, Netherlands, France, Switzerland, Germany) • Travis Perkins (United Kingdom) • SIG (United Kingdom, France, Germany, Netherlands, Poland) • Ahlsell (Scandinavia) • Grafton (United Kingdom, Ireland) • Trialis, Vendée Matériaux, Samse (France)	• No.1 European building materials distribution network • No.1 in Europe in the plumbing-heating-sanitaryware market • No.1 in the world in tile distribution

(1) Source Saint-Gobain.

PACKAGING

VERALLIA

The Packing Sector is ranked number two worldwide [1] in glass containers for beverages and food products. Operating under the Verallia brand, it leverages its sales organization to offer innovative, personalized and environmentally friendly solutions to over **10,000 customers** in **47 countries.**

(1) Source Saint-Gobain.

In 2011, Verallia produced around 25 billion glass bottles and jars, mainly still and sparkling wines, spirits bottles and food jars (used for soluble products, yogurts, baby food, etc.) – markets where Saint-Gobain is the world leader [(1)]. Its products also include bottles for beer and soft drinks.

Present in 14 countries, the Packaging Sector has 46 glass plants and 95 glass furnaces, along with six research, development and innovation centers. Verallia's powerful worldwide network allows its 15,000 employees to maintain a close local presence alongside customers whatever their size.

In 2011, Verallia continued to focus on innovation, on offering differentiated products and services and on partnering its customers. Illustrating this strategy, the high-end Selective Line brand unveiled a new offer based on:

- a collection of infinitely customizable bottles available in a variety of shapes and up-to-the-minute feeder colors;
- creativ'Lab, a state-of-the-art creation and innovation center;
- speed To Market, a service dedicated to accelerating product development with project managers who work alongside customers throughout the design process.

At the Dego facility in Italy, the Sector opened its twelfth glass bottle and jar design laboratory dedicated to innovation and customer service.

In 2011, Verallia won thirteen innovation awards, including the prestigious 2011 German Packaging Award for the new Nescafé jar created by Verallia Deutschland which beat off 54 challengers.

Verallia has made sustainable development a key priority in its business strategy and is pursuing initiatives to improve its plants' environmental performance as well as raising employee health and safety standards. The social audits carried out in 2011 at all of the Sector's facilities demonstrated the effectiveness of its corporate social and environmental responsibility programs, and Verallia's efforts were recognized once again by the United States' Environmental Protection Agency, which named Verallia along with Saint-Gobain Energy Star Partner of the Year for the third year in a row.

Development continued of the eco-designed bottles and jars launched in 2009. Verallia has sold 2.9 billion Ecova bottles, with optimized weight and the same perceived quality. The bottles have been particularly popular in South America with its heavily export-oriented wine market.

In 2011, the Sector acquired Algerian company Alver. This acquisition gave Verallia a foothold in the South of the Mediterranean Basin, a market that offers strong potential for growth in beverage and food bottles and jars. During the year, work began on the construction of a third glass furnace in Argentina, to keep pace with escalating demand for bottles in South America, and despite the crisis, the Sector continued to invest in modernizing its production facilities and improving quality in both emerging and developed markets.

The operational excellence programs were kept up in 2011, to improve manufacturing flexibility and product quality while at the same time reducing the business's environmental footprint.

As a result, Verallia maintained its position [(1)] as joint leader of the European market, no.2 player in the United States and leader or joint leader of each of its market segments.

Packaging

Businesses and Products	Main Applications	Main Competitors	Competitive Ranking [(1)]
• Glass bottles and jars	• Packaging for food products & beverages	• Owens Illinois (United States, Europe, Asia, Latin America) • Anchor Glass (United States) • Vitro (United States) • Ardagh (Europe) • Vetropack (Europe) • Vidrala (Europe) • Şişecam (Turkey and Eastern Europe) • Barbosa & Almeida (Spain, Portugal)	• No.2 worldwide and leader or joint leader in all countries where it has industrial operations

(1) Source Saint-Gobain.

RESEARCH AND INNOVATION

Research and innovation are key building blocks of Saint-Gobain's strategy. A total of €431 million was devoted to research and development in 2011, with 3,700 team members working on research projects, including in the Group's major strategic programs and cross-functional programs. All together, there are six cross-functional research centers (Northboro, Massachusetts, USA; Cavaillon, Chantereine and Aubervilliers, France; Herzogenrath, Germany and Shanghai, China, a dozen large research centers dedicated to specific Activities and a hundred development units worldwide.

In 2011, cooperation between the R&D and marketing teams was stepped up in each country to anticipate and better respond to market demand and needs. This cooperation was carried out through cross-functional Habitat organizations, with strong support from the Corporate and Activity Marketing Departments.

Saint-Gobain filed 396 patents in 2011 and achieved technological breakthroughs in several strategic programs. The year also saw a number of significant success stories, such as the development of the first heatable windshield made with ClimaCoat® triple silver layer glazing. This is just one example of a product that makes Saint-Gobain the technological leader [(1)] in an extremely competitive industry.

The Group also pursued its strategy of reaching outside the organization to enhance its research. In particular, it has highly developed relationships with universities in the United States. In addition to numerous collaborations with MIT, Harvard and other prestigious universities, a third framework agreement was signed with Case Western University during the year (after Penn State and Amherst). The University Days in Northboro on November 21 and 22, brought together a large number of the Group's North American university partners to present its current research work and give them a better understanding of Saint-Gobain.

As the core of its R&D organization, the Group's major research centers help lead this collaborative network while increasingly involving themselves in local developments in the Group's host countries. In particular, the Gypsum Activity in the United States has reorganized its research with support from the Northboro center.

In 2011, Saint-Gobain was ranked among the Top 100 World Leaders in Innovation by Thomson Reuters – the only global innovator on the list from the habitat and construction industry.

Eight strategic programs

1. Solar power

In 2011, Avancis (Saint-Gobain Solar) began production in its new plant in Torgau, Germany. So far, the technical results are in line with ramp-up phase specifications. To win in the increasingly competitive solar market, it is crucial for the Group to offer technically differentiating solutions. In cover glass, for example, the ability to have an edge in anti-reflective coatings is key for Saint-Gobain. Cost-competitive manufacturing solutions based on sol-gel coating technologies are currently being developed.

2. Fuel cells

The fuel cell program achieved a very important milestone in 2011. As the work in 2010 indicated, the 100% ceramic technology developed by the Group makes it possible to offer a fuel cell stack that is cost-compatible with target applications, notably ecogenerators. What remained to be shown was that the technology's reliability over time (limited deterioration in performance) and during temperature swings (caused by fuel cell starting and stopping) could meet specifications. This has now been successfully demonstrated for small fuel cells. The current phase of development is focusing on maintaining these properties while scaling up in size.

3. Active glass

Work on defining which new products to develop has improved significantly since Quantum Glass© began marketing and promoting active glass technologies. An electrochromic glass plant is currently being built in the United States in cooperation with Sage.

(1) Source Saint-Gobain

4. Lighting

Great progress has been made in the project to produce sapphire substrates for LEDs using a new technology that makes it possible to achieve larger sizes at lower cost. The project is in its final stage and process engineering has begun.

The Group is also involved in the organic light-emitting diode (OLED) market. Its Silverduct technology, which uses a silver coating, offers considerable advantages.

5. High-performance insulation

This program covers the Industrial Mortars, Gypsum and Insulation Activities. The first insulating mortar was brought to market in Spain in 2011 and a second-generation mortar offering even higher performance is now in development. The Group's R&D teams have also launched the final development phase for a spray plaster offering enhanced insulation performance. The major challenges now lie in the development of mineral foams. Several projects are expected to come out of the exploratory phase in early have been launched 2012. Lastly, vacuum insulation solutions have been launched in Germany for both interior use (Vacupad 17 from ISOVER) and exterior use (LockPlate from Weber).

6. External wall insulation systems

Numerous new solutions are being developed in several countries to improve the performance of existing exterior technical insulating components systems (ETICS) and ventilated walls. These include more effective insulation products to reduce thickness (Weber VIP LockPlate and Weber Isoblock), mineral and biosourced glues, easier-to-use application solutions (insulating mortars, light glue) and installation systems that reduce thermal bridges.

The Activities are also working together to develop combined solutions that put insulation into interior and exterior wall coatings (ISOVER F4). Other solutions include using traditional glass wool in ventilated walls, high-density glass wools in exterior insulation systems and large glass panels on exterior insulation systems to diversify wall style.

7. Flexible functional substrates

For the past two years, the Group has been exploring the possibility of transferring the expertise used in its Flat Glass Activity for applying thin films to the production of functional films. The R&D teams have obtained interesting results as concerns the films' optical characteristics and gas barrier qualities, opening the door to new applications.

8. Energy efficiency and environmental performance of manufacturing processes

Saint-Gobain Research has developed a submerged burner that has successfully completed pilot tests and will be industrially produced in 2012. The pilot burner will be transported to an Isover plant in early 2012 and the corresponding technology and skills will be transferred on site with broad support from the R&D teams who developed the process.

Verallia's Biovive project, which aims to use biogas for glass furnaces, is still in the pilot stage. Although numerous trials still need to be conducted to define the operating conditions at a production site, the project's objectives look achievable.

Cross-functional programs

Cross-functional programs, which allow the Group to fully leverage its expertise and improve its ability to develop key technologies, are now an established part of the research and development organization. Research teams work in close cooperation with marketing teams and local activities (notably the Habitat Committees) to develop innovation and support regulatory compliance.

In an initial success story, the use of blast furnace slag in cement formulations has allowed Saint-Gobain to market low-carbon cement. Researchers will develop a new fire-resistance program as part of small-scale tests that will allow the Group to select the best formulations more quickly. The program to improve energy efficiency in buildings is playing a central role in work to define the technical characteristics of the "Multi-Comfort" building concept. The program's major development paths include summer comfort, use of natural light and thermal performance. Lastly, the acoustics program has made progress in handling low frequencies, which remain a major technical challenge in improving acoustic comfort.

The close ties between R&D and Marketing have made it possible to conduct a number of important studies. Joint work on the "Multi-Comfort" building concept, for example, has led to the emergence of a global definition. Another study on partnerships has demonstrated a very strong upswing in partnerships with customers, suppliers and other major players in the construction market. Thanks to its active participation in the Sustainable Habitat mission, R&D has been involved, in particular, in designing a training module on eco-design.

A major step was taken in mid-October 2011 with the inauguration of the Domolab in Aubervilliers, France. The Domolab innovation center is designed to support the different Activities and help them understand new trends in the habitat and construction markets with assistance from partners and other key market players. Managed by the Habitat Mission in France, the Domolab has started to welcome non-Group visitors, who appreciated the quality of the center's equipment and of the exchanges.

Saint-Gobain presented numerous innovations this year at the Batimat trade fair for French building professionals. Virtual reality helped bring the presentations to life, allowing visitors to virtually spray mortar on a wall with the new Weber Appli Station, discover the effects of Saint-Gobain products on acoustic comfort with the Tactison module and their impact on thermal comfort with the Tactitherm module. These interactive demonstrators provide a perfect illustration of virtual reality's advantages for the habitat and construction industry.

Outlook

The R&D teams have deployed the Saint-Gobain Gate Process for managing projects and have been using Sirius and other software to track their portfolio for several years.

Research is an integral part of Saint-Gobain's growth model, no matter which way the economy is headed, and financing for research remains a priority. It is also important to preserve the strategy of working with outside partners through NOVA (relations with start-ups), SUN (Saint-Gobain University Network) and stronger ties with our Asian operations. In China, for example, research work over the last few years has grown to support the Group's local activities. The Shanghai center now has close to 200 team members and offers significant growth potential.

R&D spending over the last three years

(in € millions)	2009	2010	2011
	386	402	431

SUSTAINABLE DEVELOPMENT

SUSTAINABLE DEVELOPMENT AT THE HEART OF THE GROUP'S STRATEGY

Sustainable development at the heart of Saint-Gobain's business. As the leader [1] in the habitat and construction markets, the Group offers innovative and effective solutions to the challenges of saving energy and protecting the environment. These include low emissivity glass, which helps to reduce heat loss while allowing rooms to be warmed by direct sunshine, combined glass wool and plasterboard insulation products, and solar panels.

The research and development teams are working on further energy-saving solutions for the future, such as more energy-efficient lighting systems, intelligent glass and high-performance insulation.

This strategic positioning requires a sustainable development performance that is beyond reproach. Rather than simply complying with regulations, the Group takes a highly committed stance on minimizing the environmental impact of its processes, protecting the health and safety of its employees, and making proper allowance for social and societal issues in all business activities.

Guided by its Principles of Conduct and Action, which serve as a blueprint for all employees, the Group has defined policies and action plans to address these issues.

A SUSTAINABLE DEVELOPMENT REPORT

This year again Saint-Gobain published a specific sustainable development report based on the *Global Reporting Initiative* (GRI) indicators. Separate from the annual report, this document can be downloaded from the Group's website at **www.saint-gobain.com**

Sustainable development guidelines

With a rich history stretching back almost 350 years, Saint-Gobain has based its development on a set of values that inform its daily actions. Since 2003, these values have been spelled out in Saint-Gobain's shared **Principles of Conduct and Action**, which all employees have to apply to be accepted into the Saint-Gobain community.

Principles of Conduct and Action

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

Four Principles of Action: Respect for the law, caring for the environment, worker health and safety and employee rights guide the actions of all corporate leaders and employees in the performance of their duties.

The Principles explicitly refer to International Labor Organization (ILO) conventions, OECD guiding principles and the OECD Anti-bribery Convention.

International commitments

By joining the United Nations Global Compact in 2003, Saint-Gobain confirmed its commitment to sustainable development in line with our Principles of Conduct and Action. In January 2009, the Group took its commitment to the UN Global Compact one step further by endorsing the *Caring for Climate* statement and the *CEO Water mandate* for Water Resource Protection as part of the UN's Millennium Development Goals. This commitment was deepened on December 10, 2008 – the 60th anniversary of the Universal Declaration of Human Rights – with the signature by the Chief Executive Officer of the declaration of management support for human rights, an initiative organized by the United Nations.

(1) Source Saint-Gobain.

Sustainable development strategy

Saint-Gobain has set the ambitious goal of becoming the reference in sustainable habitat solutions. This means offering solutions that help make buildings more energy efficient and environmentally friendly, while providing even greater comfort and quality of life. It also means walking the talk in the business, environmental, social and societal aspects of sustainable development.

In practice, this ambition breaks down into clear objectives:

- increase the portion of our sales generated by energy-saving, environmentally sound solutions to 38% in 2015 from 33% at present (excluding Verallia);
- continue to reduce the Group's environmental footprint and to deploy cross-functional policies on water use, forests, biodiversity, eco-design and waste management, etc;
- further enhance safety and the integration of industrial health and hygiene across the value chain;
- in the area of human resources, promote openness and diversity, social dialogue and professional development;
- conduct business responsibly and support the economic development of our host communities;
- implement societal programs that are aligned with the Group's strategic positioning.

Meeting these objectives requires raising broad awareness of sustainable development issues among employees and, more generally, among stakeholders.

Stakeholders

The Group's approach is directly shaped by the sustainable development issues that face our businesses, on both a global and local level.

Taking these issues into account encourages greater innovation, commitment, solidarity and value creation for the organization and for stakeholders.

- Environmental challenges: Addressing climate change, reducing industrial emissions, protecting natural resources and conserving ecosystems are all issues that Saint-Gobain, as a responsible corporate citizen, has integrated into its manufacturing and distribution processes. The need to reduce the worldwide environmental impact of construction is a core part of the Group's strategy, as it drives the development of sustainable habitat solutions.
- Social challenges: In the current socioeconomic environment, the job market, employee skills development, a safe and healthy workplace environment and the existence of open employee dialogue are key concerns. For this reason, one of the Group's chief aims is to unite and motivate employees, recognize and reward their achievements and nurture diversity as an equal opportunity employer.
- Societal challenges: local development, the availability of decent housing, and access to water and energy are major societal needs that Saint-Gobain addresses through its involvement in local communities.

Guidelines

The Group has formally defined what it needs to do and who it needs to be if it is going to meet the expectations facing the businesses with regard to economic development, environmental challenges and social and societal commitment. Briefly put, the Group is committed to being:

- a solutions provider that contributes to its customers' business development, helps protect the environment and enhances users' comfort and well-being;
- a responsible business actor that invests locally, deploys environmentally friendly processes and logistics, and takes care of its employees;
- a socio-economic stakeholder that contributes to global economic growth, is committed to meeting the major environmental challenges of its time and takes on today's social and societal challenges.

Rigorous environment, health and safety (EHS) standards and recommendations

Saint-Gobain has drawn up various standards and recommendations to support the implementation of EHS principles. These standards and recommendations were developed in response to specific EHS concerns. The standards require employees to implement a uniform risk assessment method to control risks, ensuring that the same preventive measures are used across the Group, regardless of the country or local legislation concerned.

EHS management and supervisory resources are also provided to help sites develop their own EHS practices, in line with Group policy.

- A coordinated network of expertise

The EHS structure is matrix-based, mirroring the organization of Saint-Gobain itself. Its activities are coordinated by a central department.

- An efficient management method

The World Class Manufacturing (WCM) approach is a structured industrial excellence method that has proven effective in the areas of safety, quality and productivity. Over 90% of the Group's manufacturing sites will have adopted the WCM method by 2015.

- Accurate EHS reporting

Since 2004, the Group has used a centralized EHS reporting system known as Gaia.

- A comprehensive audit system

The audit system is based on the EHS and self-diagnostic audits initiated by the EHS department and a self-assessment questionnaire introduced by the Internal Audit and Internal Control Department.

An active, forward-looking human resources policy

The Group's human resources policy is based on a longstanding tradition of respect for employees, social dialogue with our partners and internal promotion. These policies leverage the shared values described in the Principles of Conduct and Action that all team members are expected to embrace. They also reflect a series of guidelines on hiring, training, skills development, career management and working conditions. These guidelines are set by General Management and apply to everyone in the corporate community.

In the interest of enhancing its reputation and attractiveness to both current and potential employees, the Group aims to raise the visibility of the Saint-Gobain name to build a real employer brand, so that its values, history and professions are better known by future hires. Internally, our employer brand will build loyalty and motivation among employees, who may in turn become the organization's best ambassadors. This approach is an integral part of the sustainable habitat and construction strategy, and will further enhance its value.

Saint-Gobain's innovative solutions are the work of its employees, who are given every opportunity to find professional fulfillment and acquire new skill sets and tools. The human resources policy seeks to guide employees on their career paths within the Group by contributing to their professional development and by being open to all types of diversity. Human resources management is broadly decentralized, with representatives acting at the local level to promote a decisively multicultural, international approach.

CHALLENGES, ACHIEVEMENTS AND OUTLOOK

The table below presents a broad outline of the Group's sustainable development challenges, as well as actions taken and future initiatives. It is followed by a summary presentation of the Group's sustainable development indicators.

Environment

Challenges	Action taken	Outlook and future initiatives
Prevent environmental incidents and accidents	• Development of Group-wide standard for managing environmental incidents, with a methodology for detecting, recording and analyzing incidents to reduce the related risks	• Gradual deployment of the environmental incident management standard
Reduce CO_2 emissions	• Development of a methodology for assessing the Group's direct and indirect GHG emissions • Assessment of French subsidiaries' GHG emissions using this methodology • Introduction of a Sustainable IT Charter	• Worldwide deployment of GHG assessments at the Group's main subsidiaries
- in our operating processes	• Research into furnace design for improved energy efficiency • Recycling of secondary raw materials • Selection of the most appropriate energy source • Combustion settings for glassmaking furnaces	• Using 2010 emissions as a base, a target of 6% reduction in emissions at concerned sites by end-2013 (see reporting methodology)
- with our products	• Construction industry: insulation products • Renewable energies: photovoltaic panels, etc. • Vehicles: automobile glass, lighter auto body parts, etc.	• Research and development of new products
- in our transport operations	• Distribution of a Suppliers' Charter • Initiatives within Building Distribution Sector companies to reduce CO_2 emissions from road transport (for example eco-driving and geomatics) • Adoption of CO_2 emissions criteria for automobile fleets in certain European countries	• Rollout to other Building Distribution Sector companies and then to the Group as a whole
- in our buildings	• Factor 4 targets for office buildings: CARE 4® project • First buildings certified to CARE 4® standards • Launch of an inventory of Group buildings	• Development and deployment of CARE 4® action plans (renovation, etc.) in each Sector
Reduce atmospheric emissions of NO_x, SO_2, dust, metals and other pollutants	• Pollution reduction at the source (primary measures) and through treatment of stack gas (secondary measures) • Selection of the most appropriate energy source • Combustion settings for glassmaking furnaces • Ongoing installation of electrostatic precipitators in the Flat Glass Division	• Installation of equipment solutions that reduce NO_x emissions at targeted facilities • Continued investment in electrostatic precipitators in the Flat Glass Division
Optimized withdrawal and use of natural resources - water	• Closed-circuit operation extended to all facilities • Improved operating processes • Constant innovation for Pipe products • Establishment of a Water Policy	• Updating of the water and wood sections of the purchasing questionnaire for suppliers • Target of 6% reduction in water withdrawals by end-2013 at concerned sites, based on 2010 production output • Deployment of a water risk-assessment grid and an environmental standard describing minimum mandatory requirements at all sites
- wood	• Environmental policy applied to wood for the Building Distribution Sector • Nearly 80% of wood product purchases sourced from certified forests	• Deployment of an environmental policy on wood in all Group companies, including those in the industrial Sectors
- silica, iron ore, gypsum	• Recycling of secondary raw materials • Design of lighter products • Development and deployment of a pilot biodiversity project in the Gypsum Division	• Improvement of secondary raw materials recycling through the deployment of a new policy for managing process, construction and demolition waste. • Inventory of biodiversity priority areas for each Activity
Awareness-raising initiatives	• Founding member of dedicated industry associations and labels • Information and training for contractors and other professionals • Group-wide celebration of International Environment, Health and Safety Day	• Continuation of internal and external awareness-raising campaigns
Limit the environmental footprint of our products	• Incorporation of an EHS validation procedure in R&D projects • Shared methodology for assessing and communicating life-cycle assessments for all construction products • Systematic life-cycle assessments for all construction product lines	• Research and development of new products • Life-cycle assessments for all construction and solar product lines by end-2013 • Development of an eco-design policy for construction products
Waste management	• Reuse and recycling of raw materials • New avenues for reuse of waste in new materials, in products or as energy • Deployment of initiatives to meet a target of zero non-recycled waste	• Target of 6% reduction in landfill waste disposal by end-2013 at concerned sites, based on 2010 production output • Improvement of secondary raw materials recycling through the deployment of a new waste management policy

Environmental actions are undertaken as part of a policy of continuous improvement. The aim is to extend ISO 14001 certification to over 90 % of concerned sites during 2013.

Social and societal

Challenges	Action taken	Outlook and future initiatives
Health and Safety - workplace safety	• Intensified action to prevent serious and fatal accidents: continuation of Serious Accident Plan • Continuous monitoring of accident incidence rates • Deployment of risk assessment and accident/incident analysis standards • Definition of nine safety standards: working at height, management of outside firms operating on company sites, work permits, commissioning/decommissioning procedures, machine and forklift safety, working in confined spaces, vehicle and pedestrian safety and warehousing and loading • End of rollout and continued application of Safety Management Tool (SMAT) system • Deployment of the Environment, Safety and Risk Prevention audit in the Building Distribution Sector • Stronger safety standard requirements for working on roofs	• Closer cooperation on safety issues with employee representatives through the European Social Dialogue process • 2013 targets: lost time incident rate (LTIR) of 5 for the Building Distribution Sector and a total recordable incident rate (TRIR) of under 6 for the industrial Sectors. LTIR below 2.8 overall. These indicators concern employees and temporary staff • Launch of two new safety standards in 2012 – on electrical safety and road risks. • Update of EHS audit system for small manufacturing sites • Enhanced tracking of temporary staff and subcontractors • Dissemination of critical EHS standards: best practices for training new hires • Establishment of a shared Group framework for all health policy ambitions and objectives
- ergonomics	• Deployment of a method for identifying risks related to handling, lifting and workstation posture • Distribution of a training kit on the Posture Lifting Movement (PLM) method recommended by Saint-Gobain	• Deployment of a program to reduce risks associated with musculoskeletal disorders (MSDs), in liaison with the Delegations
- noise	• Rollout of NOS (Noise Standard)	• Action plan to reduce noise exposure at the concerned sites • Project to improve the reliability of NOise Standard (NOS) reporting
- toxic agents	• REACH Directive: creation of a dedicated network, updating of substance inventories in preparation for upcoming deadlines, distribution of information to our suppliers on how we use chemicals and our compliance with rules concerning substances included in the Candidate List of Substances of Very High Concern (SVHC) and prioritized substances • Addition of a REACH clause in all purchasing contracts • CLP Regulation: notification of substances to be included in the classification inventory, where necessary, and updating of our Safety Data Sheets to bring them into compliance • Deployment of a training program in the R&D centers on integrating EHS risk criteria into R&D project management • Updating of the Toxic Agents Standard (TAS) and implementation guidelines • Deployment in 2011 of an online platform for the Toxic Agents Standard (TAS), comprising the toxic substance inventory required under REACH and the risk assessment application • Rollout of training sessions throughout the Group on the Toxic Agents Standard (TAS) and new online platform	• REACH Directive: REACH compliance monitoring, registration of substances for 2013 and 2018 deadlines, deployment of action plans for prioritized substances for authorization, updating of Safety Data Sheets with exposure scenarios, if appropriate • Updating of the toxic agents standard and applications guides (TAS), integration of REACH compliance in our internal processes (for example, pilot training for purchasing agents) • CLP Regulation: Updating to bring our Safety Data Sheets into compliance • Implementation of a tracking indicator in the Group on use of the platform in R&D projects • Implementation of tracking indicators in the Group on deployment of the platform at the sites • Use of the platform to track compliance with local regulations and implementation of the Group's industrial hygiene policy
Human resources planning and development - hiring	• Development of the pro-diversity hiring policy	• Launch of a campaign to promote Saint-Gobain's employer brand
- managerial culture	• Continuation of campaigns to raise awareness among all managers about managerial attitudes • Further re-focusing of training programs on sustainable habitat and construction development, particularly at the Management School	• Introduction of the "Open" program on professional mobility, team diversity, employee engagement and talent
- training	• Launch of "Sustainable Pursuit": a fun initiation to the Group's sustainable habitat strategy (2,147 participants in 46 countries) • Continued development of the EHS matrix • Review of R&D training modules for global use (323 researchers trained, 18 training sessions) • Move (migration to Office 2010 and Windows 7): 1,000 users for the e-learning module worldwide • Launch of "New Managers" sessions in Mexico City, Chennai, Bangkok, Shanghai and São Paolo	• Launch of a second Habitat Course for all Group employees • Adaptation of Management School curricula in the Delegations • Launch of the HR Academy with courses for HR professionals • Forging of partnerships with major universities in fast-growing markets like India and China • Deployment of professional and technical training programs in fast-growing markets
- career planning	• Publication of an internal mobility charter • Awareness-raising among managers about Generation Y characteristics and expectations	• Deployment of the internal mobility charter
Motivate our teams	• Employee share ownership: continued implementation of actions encouraging share ownership in the lowest wage categories, in particular through the top-up system	

Challenges	Action taken	Outlook and future initiatives
High quality social dialogue	• Deployment of the agreement on preventing and managing stress in the workplace • Negotiations on diversity • Training for employee representatives at the European level	• Assessment of the agreement on preventing and managing stress in the workplace • Conclusion of negotiations on the subject of diversity • Support for employee representation arrangements
Diversity	• Continued efforts to increase the proportion of women managers, with the setup of dedicated training, mentoring and career development programs	• Launch of online training on the need to create gender-balanced teams • Development of career paths for seniors
Participation in local community life	• Saint-Gobain Initiatives Foundation: acceptance of 15 new projects, signature of 14 sponsorship agreements, launch of an internal communication campaign • Active involvement in the "100 opportunities, 100 jobs" campaign to help disadvantaged young people enter the workforce	• Saint-Gobain Initiatives Foundation: Execution of projects under way, continued development (especially outside France) • Active involvement in the geographical expansion of the "100 opportunities, 100 jobs" campaign to help disadvantaged young people enter the workforce

Business practices

Challenges	Action taken	Outlook and future initiatives
Responsible purchasing	• Setup of a responsible purchasing organization made up of a network of buyers located in different countries around the world • Launch of a responsible purchasing awareness campaign in France • Development of an online responsible purchasing training module • Development of purchases from organizations who work with job seekers, sheltered workshops and people with special needs • Launch of a supplier audit campaign in all the Delegations	• Consolidation of the responsible purchasing organization • Deployment of the responsible purchasing awareness campaign in all Delegations • Launch of the online responsible purchasing in English and French • Continued development of purchases from organizations who work with job seekers, sheltered workshops and people with special needs • Development of the supplier audit campaign
Compliance program	• Responsible development: extension to non-managers of the distance-learning module on the Principles of Conduct and Action, and design of a specific module for purchasing managers; global organization of Principles of Conduct and Action Day • Competition law plan: deployment of the second on-line training campaign on competition law for all managers; continued unannounced audits • Compliance alerts system: complete deployment	• Responsible development: continuation and expansion of training for managers, monitoring of campaigns for non-managers at the sites • Competition law plan: continued deployment of the second on-line training campaign on competition law for all managers; extension to emerging markets • Compliance alerts system: complete deployment

KEY INDICATORS

Indicators presented in this section and the method used to collect and consolidate the underlying data are described in the Sustainable Development Report published by the Saint-Gobain Group.

Social indicators

Indicator	2010	2011
Number of millionaire sites (sites that have clocked up over one million incident-free hours of work and/or more than five years' work without any lost-time incidents)	156	179
Lost-time incident rate (LTIR) (more than 24 hours' lost time) - Group (including temporary staff)*	3.5	3.1
Severity rate – Group (including temporary staff)	0.21	0.19
Lost-time incident rate (LTIR) (more than 24 hours' lost time) - Building Distribution Sector (including temporary staff)*	6.3	5.1
Total recordable incident rate (TRIR) - industrial Sectors (including temporary staff)*	7.5	6.3
Number of workplace fatalities - Saint-Gobain employees	2	3
Number of Health & Safety-certified sites - comparable scope*	307	363
Total headcount	189,193	194,658

Environment

Indicator	2010	2011
Number of quality-certified sites - comparable scope*	750	773
Percentage of concerned sites that are environmentally certified*	66.0%	71.9%
Number of Seveso-classified sites	6	5
Total environmental expenditure*	€123.4m	€118.1m
Salaries and other payroll expenses for environmental officers*	€20.8m	€21.7m
ISO 14001 and EMAS environmental certification and renewal costs*	€2.1m	€2.4m
Environmental taxes*	€4.95m	€4.83m
Insurance and warranties	€2.46m	€2.67m
Environmental fines	€1.69m	€0.55m
Cost of environmental incidents	€0.82m	€0.82m
Cost of technical measures*	€8.11m	€8.29m
Environmental R&D budget*	€69.3m	€67.2m
Soil decontamination, site remediation and other clean-up costs*	€13.1m	€9.6m
Capital expenditure on environmental protection measures*	€61.95m	€72.07m
Provisions for environmental risks	€174m	€169m

** Adjusted for 2011 scope of reporting.*

A comprehensive 2011 sustainable development report, based on Global Reporting Initiative (GRI) indicators, is available for download at **www.saint-gobain.com**. The report may also be obtained in paper format from Saint-Gobain's Corporate Communications Department.

2011 MANAGEMENT REPORT

A MIXED YEAR

Markets and economic environment

After a fairly strong recovery in 2010 and holding up well in the first six months of 2011, the global economy ran out of steam in the second half. The most recent statistics point to continued vulnerability, with none of the indicators signaling a rebound in the final months of the year. The 3.5% estimated growth for 2011, versus 4.9% in 2010, confirms that a slowdown is taking place.

Rising raw materials prices, the earthquake in Japan, inflationary pressures and, above all, fears about the sustainability of some countries' public debt caused confidence to waver during the year. The financial markets underwent a sharp correction, stock prices dropped precipitously and once again became highly volatile, and banks tightened their lending criteria. Starting in the second quarter, businesses experienced a falloff in sales and order inflows, as households saved more and spent less.

In this climate, third quarter data showing that the world economy had stayed firm – with timid rebounds in the United States and Japan offsetting a softening of Latin American economies – came as a welcome surprise. However, what this means for the coming months is difficult to read.

The downturn was less severe in the **United States** than in Europe. The country was in poor economic shape in the first half, as concerns about budget deficits prompted S&P to cut its rating, but the third quarter saw a return to form. A surge in productive investment was accompanied by improvements in both the business climate and the job market. This went some way to restoring consumer confidence and even led to a tentative uptick in economic growth at the end of the year. However, the underlying problems have not been resolved. With unemployment remaining stubbornly high and the real estate market still in the doldrums, further stimulus will be needed to avoid a relapse.

Helped by the reconstruction effort, **Japan's industrial output** was nearly back to pre-tsunami levels by October, ensuring that the economy stayed out of recession. However, the rebound was cut short in the winter by the repercussions for Japanese industry of the floods in Thailand. Moreover, the slowdown in international trade and the yen's appreciation left the Japanese economy very exposed.

Emerging economies continued to experience a loss of momentum in the third quarter. In **Asia**, a slowdown in external demand cut **Chinese** growth to 9.2% in 2011, while the growth rate in **India** fell back to 6.8% as a result of simultaneous declines in corporate capital spending and consumer spending.

In **Latin America**, the Brazilian economy showed signs of flat-lining in the third quarter and the manufacturing sector appeared unable to avoid a technical recession caused by the worsening external environment. Mexico benefited from the improved US environment but also remained highly vulnerable.

In **Eastern Europe**, the economic slowdown that began in the second quarter continued into the summer as world trade faltered, leading to a contraction of the region's export markets. In addition, anemic domestic demand was further weakened by the austerity measures kept in place in 2011 in the ongoing drive to bring budget deficits under control. The Czech Republic, Hungary, Slovenia and Slovakia were the hardest hit by softening euro zone markets because their economies are more open.
By contrast, Poland, Russia and the Baltic countries continued to enjoy sustained growth.

Threatened with break-up as a result of a seemingly insoluble financial crisis, the **euro zone** experienced a sharp loss of momentum in the last nine months of 2011 after a reasonably good start to the year. The region's economy grew by just 0.7% in the second and third quarters, and current estimates point to near-zero growth in the last quarter. The economic performances behind the 1.5% growth for the year were very mixed, with Germany in the lead followed at some distance by France.

In **Germany**, 2011 began on a high note with the first quarter seeing vigorous growth. However, the economy struggled to expand as the year wore on, due to the sharp fall-off in world trade. After faltering in the spring, it rebounded in the third quarter on the back of improved consumer spending, only to stall again in the fourth quarter. Growth for the whole year nonetheless stood at nearly 3%, representing an enviable performance.

The picture was fairly similar in **France**, although automatic stabilizers helped to smooth quarterly performance. Like in Germany, the year ended on a less positive note and the contraction in productive investment along with the uncertain business climate point to a difficult 2012.

Italy's worsening economic performance was due in no small measure to flat industrial output. The economy was already softening before the onset of the global financial crisis and the situation is likely to get worse in 2012 when the new austerity measures start to affect the country.

Spain hardly fared any better, with final second-half GDP figures likely to confirm that the economy is still in a downward spiral.

The **United Kingdom** underperformed the euro zone, with GDP growth not even reaching 1%. With domestic demand in the doldrums and export markets unable to provide any relief, the economy briefly slipped back into recession at the turn of the year.

Habitat and construction

In 2011, the construction market began to soften in several emerging economies. Although continuing to have considerable infrastructure and housing needs, many of these countries – particularly in **Eastern Europe** – had to cut back on their investment due to the economic crisis, while others, such as **Brazil** and **China**, placed restrictions on credit to stop real estate prices spiraling out of control, a policy which partly explains the dampening of the construction market growth.

In the **United States**, the number of housing starts and residential building permits increased slightly in the most recent months for which statistics are available, led by multi-family dwellings. However, the long-awaited market rebound failed to take place in 2011, because there were still too many unsold properties on the realtors' books. By contrast, industrial and commercial building starts turned upwards during the year.

In **Japan**, the task of rebuilding homes destroyed or damaged by the earthquake and tsunami helped to sustain construction activity up until the end of the fall, but demand tailed off in the latter part of the year. The fairly gloomy economic environment blocked growth in the job market and affected household incomes. New government incentives are needed to kick-start demand.

In **Western Europe**, the construction market struggled to stay on the path to recovery. Overall activity levels were reasonably good, thanks to strong demand in France, Germany and the countries of Northern Europe, including Poland, which compensated for very weak markets in Spain, Portugal, Ireland and Italy where the Group has only a limited presence.

In **Germany**, the previous year's return to growth in new home building continued in 2011 and the residential renovation market also expanded further, but construction of industrial units was roughly level with 2010.

In **France** too, 2011 was a good year. The double-digit growth in housing starts and building permits over the first eleven months was impelled mainly by multi-family dwellings, with single-family dwellings acting as a secondary driver. All segments of the non-residential construction market rebounded. Led mainly by sub-trades work, the renovation market regained momentum, lifted by energy efficiency projects.

In the **United Kingdom**, the previous year's rebound petered out and the decline in housing starts accelerated in the final months for which statistics are available. Across the entire construction market, the order inflow was at an historic low due to sweeping cuts in government budgets.

Automotive industry

The worldwide automobile market grew at a fairly subdued rate in 2011 after expanding by a spectacular 13.4% the previous year. In the **United States**, the market gradually recovered from its precipitous decline in 2008, gaining 14.8% in 2011. At the end of the year, the improved outlook for the domestic economy, pent up demand and the launch of innovative models helped to stimulate sales.

In **Japan**, the market was hit by supply problems in the second and third quarters, but good progress was made in absorbing the backlog during the fourth quarter and demand for low CO_2 vehicles was high. The uncertain economic environment and strong yen nevertheless limited the market rebound in the last three months and total sales for the year were down 16.3% on 2010.

In all **emerging markets**, sales expanded at a slower rate than in 2010. In **China**, demand was initially stimulated by tax cuts and targeted discounts for buyers in rural areas, but growth over the full year fell to 2.5% from 32% in 2010 due to restrictions on the money supply and the withdrawal of government incentives. In **South Korea**, domestic demand softened considerably but healthy export demand supported production increases. In the twelve months to the end of November, unit sales were down 1.5% but output by the country's carmakers was up 9.0%. In **Brazil**, the overvalued currency ultimately had no impact on imports, and the 0.1% increase in domestic sales over the year was below the 0.7% growth in vehicle production. In India, many consumers put off buying a car due to high fuel prices, the high cost of credit and persistent inflationary pressures in a cooling economy.

In **Europe**, the total market held up well, contracting by just 1.3%, but the austerity plans launched in the **euro zone** severely affected automobile markets in Southern Europe, which continued to decline on the back of a 5.3% fall in 2010, hitting a level close to their 2008 low. In **Germany**, registrations stayed at their pre-crisis level, with demand sustained by higher domestic incomes and lower unemployment. In **France**, withdrawal of the scrappage incentive had only a limited impact and registrations held firm at a level just above the 2.1 million reported in 2007 and close to 2009's record high. The automobile markets in Northern Europe enjoyed strong growth, led by **Finland**, **Sweden** and the **Netherlands**.

In the **United Kingdom**, the market continued to decline, contracting by 4.4% over the year in an environment shaped by a lack of consumer confidence and a gloomy economic outlook.

Operating performance

In a still-fragile economic environment, **the Group** confirmed its capacity for growth in 2011, **delivering a 5.0% rise in like-for-like sales (comparable Group structure and exchange rates)**. All of the Group's geographic areas and Business Sectors contributed to this performance, led by vigorous momentum in emerging countries and Asia as well as further advances in markets related to industrial output in both North America and Western Europe. In contrast, markets related to capital spending slowed in the second half, particularly across Western Europe and in Asia and emerging countries.

Sales growth also reflects the gradual upturn in residential construction and renovation markets in most major European countries in which the Group operates (France, Germany and Scandinavia). In particular, the Group's healthy trading on construction markets in Western Europe continues to be powered by high value-added solutions and especially businesses linked to energy efficiency in the Habitat market. These activities reported further strong growth gains throughout the year, buoyed by new applicable regulations and especially thermal regulation "RT 2012" in France.

Despite a temporary rebound in renovation reflecting the positive impact of early-year storms, the US construction market remained stable, with trading at a record low.

Businesses related to household consumption (Packaging, Verallia) reported moderate growth, spurred chiefly by sales prices.

With market conditions for the Group improving on the whole and raw material and energy costs soaring, **sales prices** remained a key focus for Saint-Gobain, advancing regularly throughout the year. **They increased 2.7% over 2011 as a whole and 3.0% in the second half** (3.2% in the fourth quarter).

Overall, the Group reported organic growth of 5.0% (positive volume and price impacts of 2.3% and 2.7%, respectively), of which 6.7% (volume and price impacts of 4.3% and 2.4%, respectively) in the first half of the year on the back of an exceptional first quarter, and 3.4% (volume and price impacts of 0.4% and 3.0%, respectively) in the six months to December 31. Due primarily to fewer working days than in fourth-quarter 2010 (estimated negative impact of 1.7%), organic growth slowed between the third and fourth quarters, from 4.1% to 2.8%. **Based on a comparable number of working days, organic growth remained largely unchanged in the last three quarters (between 4.0% and 4.4%).**

Performance of Group Business Sectors

Innovative Materials delivered **the Group's best organic growth performance, at 5.8%** (of which 3.1% in the second half, despite a much tougher basis for comparison). Brisk activity in markets related to industrial output continued throughout the year across all geographic areas. Sales prices also remained upbeat in all businesses, particularly High-Performance Materials. Combined with the impact of cost saving programs carried out in previous years, **this helped the Business Sector's operating margin to deliver further gains, climbing to 11.8%** from 11.0% in 2010.

- **Flat Glass** reported **4.7% organic growth over the year (1.4% in the second half)**. Over the two periods, organic growth was mainly powered by Asia and emerging countries. Western Europe remained stable for the year as a whole despite dipping slightly in the second half. Sales prices increased compared to 2010 (although at a slower pace in the second half than in the first), both for commodities (float glass) and processed products. However, these increases failed to fully offset the impact of spiraling raw material and energy costs. **The operating margin nevertheless continued to widen, at 8.8% of sales** (8.4% in 2010).
- **High-Performance Materials (HPM)** delivered **organic growth of 7.2% over the year (5.2% in the second half)**. Sales price increases over the six months to December 31 helped curb the impact of soaring raw material and energy costs. Sales volumes remained robust in all geographic areas, despite a slowdown towards the end of the year, particularly in Western Europe. Although HPM volumes were not quite back to their second-half 2008 levels, **the operating margin continued** to benefit from very strong operating leverage to stand at **15.7% of sales**, ahead of its record 14.3% showing in 2010.

Construction Products (CP) like-for-like sales advanced **4.4% over the year** and **3.9% over the second half**. In both periods, this moderate growth chiefly resulted from strong sales gains in Asia and emerging countries and in the US renovation market. In contrast, sales remained virtually stable in Western Europe, with starkly contrasting performances from one country to the next. With the exception of Pipe, all Construction Products businesses reported sales growth over the year, in terms of both volumes and sales prices. **The operating margin for the Business Sector narrowed slightly, to 9.5%** from 9.7% in 2010, due mainly to the steep rise in the cost of raw materials and energy in Exterior Solutions, which could not be wholly offset by upbeat sales prices (up 3.2% for the Business Sector as a whole and 3.4% for Exterior Solutions).

- **Interior Solutions** delivered strong organic growth, over both **the year as a whole (5.6%)** and **in the second half (5.2%)**. Sales volumes were up in all geographic areas, particularly in the US and in Asia and emerging countries. In Western Europe and especially France, trading continued to be buoyed by stricter energy performance regulations in the Habitat market, which helped **Insulation once again report double-digit organic growth in France** (**12.5%** for the year). **The Business Sector's operating margin continued to improve, up to 8.2% for 2011** compared to 7.3% in 2010.

- **Exterior Solutions** reported moderate organic growth over both periods (**3.5% for the year** and **2.9% in the second half**). Besides the one-off boost to sales volumes in the US renovation market (Exterior Products) resulting from severe storms early on in the year, organic growth also reflects brisk trading for Industrial Mortars (particularly in Latin America and Eastern Europe). In contrast, Pipe reported a significant decline in sales volumes, hit by austerity measures in Europe, economic tightening in China and a drop in exports to the Middle East triggered by the "Arab spring". Sales prices remained upbeat across the division, although failed to offset the full impact of soaring raw material costs (especially in Pipe and Exterior Products). As a result, **the operating margin retreated, down to 10.7% of sales** (11.8% in 2010).

Building Distribution delivered annual **organic growth** for the first time since 2007, at **5.5%**, including 3.9% in the second half. In line with the six months to June 30, this performance was led especially by Germany (which reported double-digit growth for the year), France, Scandinavia, and to a lesser extent the Netherlands. Growth remained modest in Eastern Europe and the UK, while market conditions continued to be very tough in Southern Europe. Trading in the US began to pick up. Owing to the restructuring measures and cost savings implemented over the past few years, as well as a solid gross margin, **the Business Sector's operating income climbed €190 million (up 33%)** to €768 million. **The operating margin was up sharply, at 4.2% of sales** from 3.3% one year earlier. In the second half, **operating income outperformed its second-half 2008 level**, at €441 million (4.7%), even though sales volumes were almost 10% below those for the second-half 2008 period.

Packaging (Verallia) reported **3.0% organic growth over the year (1.7% in the second half)**, spurred by favorable trends in sales prices, which gained 2.7% over the year as a whole and 2.8% in the second half. Sales volumes recovered in the fourth quarter, particularly in Europe and Latin America, after being hit by inventory run-downs in the three months to September 30. **The operating margin edged up to 12.3% of sales** (12.2% in 2010), as sales price rises picked up pace in the second half.

This performance confirms the pertinence and strength of Verallia's development strategy, as well as its ability to generate high levels of cash flow: EBITDA less capital expenditure came in at €418 million, ahead of the target €400 million announced in the first half.

Analysis by geographic area

All of the Group's major geographic areas delivered **robust organic growth** for the whole of 2011. **Profitability improved** across all areas except North America, squeezed in the first half by the hike in raw material and energy costs which was not fully offset by sales price increases.

- Over the full year, **France** posted moderate 3.6% organic growth, driven chiefly by businesses related to construction markets, in particular Interior Solutions, Industrial Mortars, and to a lesser extent Building Distribution. Trading in these businesses was buoyed by improvements in the residential construction market (new-build and renovation segments) and by the new "RT 2012" thermal regulation in France. Industrial and household consumption markets held firm, while Pipe reported a sharp decline in sales prompted by lower exports to the Middle East (impact of the "Arab spring"). **The operating margin for France continued to improve, up to 6.6% of sales** from 6.3% in 2010.

- **Other Western European countries** reported robust 4.1% like-for-like sales growth over the year as a whole, bolstered by vigorous economic conditions in Germany and Scandinavia (52.1% of the Group's sales in this region). This more than offset persistent difficulties in Southern Europe. In the UK, trading remained subdued in 2011. Overall, the Group's organic growth in Western Europe was led by the continuing recovery in the residential construction segment, with industrial markets and household consumption remaining upbeat. The cost savings achieved over the past few years helped spur a **strong rise in the region's operating margin, up to 6.7%** from 5.9% in 2010.

- **North America** reported **5.5% organic growth** for the year, buoyed primarily by further advances in High-Performance Materials, and by sales volume growth for Construction Products, which saw a temporary uptick in the renovation market following the early-year severe storms in the US. **The operating margin** dipped slightly, hit in the first half by the steep rise in raw material and energy costs, to **10.4% of sales** for the year as a whole (10.7% one year earlier).

- **Asia and emerging countries** (19% of consolidated sales) continued to deliver the Group's best organic growth performance, at 8.5%, despite a slowdown in Asia in the second half.

The operating margin was up slightly, at 10.2% of sales versus 10.1% one year earlier.

Consolidated results

Sales climbed 5.0% based on both reported and like-for-like (constant Group structure and exchange rates) figures. Changes in Group structure had a slightly positive 0.3% impact, essentially reflecting acquisitions carried out in Construction Products and Building Distribution Sectors (including Build Center on November 1, 2011). This impact was offset in full by an equivalent negative 0.3% currency effect resulting mainly from the depreciation against the euro of the US dollar and the currencies of most emerging countries where the Group operates. On a constant exchange rate basis [1] , sales therefore rose 5.3%. Volumes moved up 2.3%, while prices gained 2.7%.

In line with targets, and despite the impact of spiraling raw material and energy costs, the Group reported a double-digit rise **in operating income** (up 10.4%, or 10.9% at constant exchange rates [1]). Consequently, **the operating margin** continued to improve, up to 8.2% of sales (10.9% excluding Building Distribution), versus 7.8% (10.7% excluding Building Distribution) in 2010. The operating margin is virtually back at its 2008 level (8.3% for the Group and 11.0% excluding Building Distribution) despite sales volumes being 11.0% lower than in this earlier period.

The Group's second-half **operating margin** remained stable, at 8.1% of sales. Excluding Building Distribution, the operating margin narrowed slightly, at 10.5% versus 10.8% in second-half 2010, squeezed by the sharp rise in raw material and energy costs which could not be wholly passed on to sales prices.

EBITDA (operating income + operating depreciation and amortization) moved up 6.4%. The consolidated EBITDA margin came in at 11.8% of sales (16.0% excluding Building Distribution), versus 11.6% of sales (16.1% excluding Building Distribution) in 2010.

Non-operating costs were down 11.4% owing to the fall in restructuring costs, to €395 million (€446 million in 2010). This amount includes a €90 million accrual to the provision for asbestos-related litigation in the US, the decrease in the accrual reflecting the fall in indemnities paid over the last 12 months (see "Update on asbestos claims in the US" on page 43).

The net balance of capital gains and losses on disposals, asset write-downs, and corporate acquisition fees was a negative €400 million. This amount includes €383 million in asset write-downs, of which €201 million relates to a portion of the goodwill on the US Gypsum business. The remainder mainly relates to restructuring plans and closures of certain Building Distribution sites in Southern and Eastern Europe in the period, following the reorganization measures launched in these companies in 2011.

Business income climbed 4.8% to €2,646 million after taking into account the items mentioned above (non-operating costs, capital gains/losses on disposals and asset write-downs).

Net financial expense fell sharply, to €638 million from €739 million in 2010, as the average cost of gross debt remained stable at 4.8%.

Income tax expense rose 13.7% from €577 million to €656 million, chiefly due to the 12.6% increase in pre-tax income. The tax rate applicable to recurring net income was stable year-on-year, at 29%.

Recurring net income (excluding capital gains and losses, asset write-downs and material non-recurring provisions) was up 30.0% year-on-year, at €1,736 million. Based on the number of shares outstanding (excluding treasury stock) at December 31, 2011 (526,205,696 shares versus 525,722,544 shares at December 31, 2010), recurring earnings per share came out at €3.30, up 29.9% on 2010 (€2.54).

Net income came in at €1,284 million, up 13.7% on 2010. Based on the number of shares outstanding (excluding treasury stock) at December 31, 2011 (526,205,696 shares versus 525,722,544 shares at December 31, 2010), earnings per share came out at €2.44, a rise of 13.5% on 2010 (€2.15).

As announced at the beginning of 2011, **capital expenditure** surged 33.5%, or €486 million, to €1,936 million (€1,450 million in 2010), representing 4.6% of sales (3.6% in 2010). This increase was essentially attributable to the Group's fast-paced development in Asia and emerging countries and on energy efficiency and energy markets (mainly Flat Glass – including solar power – and Construction Products). In all, investments made by the Group in these two markets accounted for virtually all of the Group's growth capital expenditure in 2011.

Cash flow from operations totaled €3,421 million, up 13.9% on 2010. Before the tax impact of capital gains and losses on disposals and asset write-downs, cash flow from operations climbed 12.1% to €3,349 million, up from €2,987 million one year earlier

Following the sharp growth in capital expenditure:

- **free cash flow (cash flow from operations less capital expenditure)** totaled €1,485 million. Before the tax impact of capital gains and losses on disposals and asset write-downs, free cash flow stood at €1,413 million, or 3.4% of sales (3.8% of sales in 2010). Free cash flow was down 8.1% on 2010 (€1,537 million) due to the sharp rise in capital expenditure – especially in high-growth countries, but still well ahead of the target €1.3 billion set by the Group at the start of the year;

(1) Based on average exchange rates for 2010.

- **the difference between EBITDA and capital expenditure** was €3,016 million versus €3,202 million in 2010, representing 7.2% of sales (8.0% in 2010).

After eight years of continuous improvements, **operating working capital requirements (WCR)** rose by 3 days to 34 days' sales at December 31, 2011, i.e., between the December 31, 2010 figure of 31 days and the December 31, 2008 figure of 38 days. The rise in operating WCR mainly reflects the trading upturn and to a lesser extent, the increase in inventories of raw materials amid spiraling cost inflation.

In line with the relaunch of its acquisitions program announced at the beginning of 2011 and with the increase in capital expenditure, **investments in securities** rose sharply, up to €702 million, which is five times more than in 2010 (€129 million). Investments in securities relate primarily to acquisitions focused on the Group's key growth drivers, namely Asia and emerging countries, energy efficiency, and consolidation in the Construction Products and Building Distribution businesses (acquisition of Build Center on November 1, 2011).

Due to the sharp €1,059 million rise in capital expenditure and financial investments coupled with the share buybacks made over the last 12 months (€186 million), **net debt** rose 12.9%, or €927 million, to €8.1 billion at December 31, 2011. Net debt represents 44% of consolidated equity versus 39% one year earlier. The net debt to EBITDA ratio came out at 1.6, just above the end-2010 figure (1.5).

Update on asbestos claims in the United States

Some 4,000 claims were filed against CertainTeed in 2011, compared with 5,000 in 2010. At the same time, 8,000 claims were settled (versus 13,000 in 2010), bringing the total number of outstanding claims to 52,000 at December 31, 2011, versus 56,000 at December 31, 2010.

A total of USD 82 million in indemnity payments were made in the 12 months to December 31, 2011, down sharply compared to 2010 (USD 103 million).

In light of these trends, and particularly the decrease in indemnity payments and the provision accrual in 2011 (see page 42), the total coverage for CertainTeed's – asbestos-related claims was around USD 504 million at December 31, 2011, virtually stable compared to December 31, 2010 (USD 501 million).

2011 action plan priorities: objectives met

The Group resolutely implemented its action plan priorities during the year and met the targets it had set for 2011, despite a tougher economic climate in the second half. In 2011, Saint-Gobain:

- continued to give clear operating priority to sales prices, which rose 2.7% over the year, with the increases gathering pace as the year went on (from 2.0% in the first quarter to 3.2% in the fourth). Over the year as a whole, the Group was therefore able to curb the impact of rising raw material and energy costs;
- delivered double-digit growth in operating income (at constant exchange rates [1]), which climbed 11.0% to €3,456 million (€3,117 million in 2010), despite the impact of soaring raw material and energy costs;
- continued to maintain a tight rein on costs;
- optimized cash flow generation, with €1.4 billion in free cash flow [2], ahead of its target of €1.3 billion, after the €486 million rise in capital expenditure;
- preserved its robust balance sheet, with a gearing ratio of 44% and a net debt to EBITDA ratio of 1.6;
- resumed its selective acquisitions and development policy, focusing on fast-growing businesses and/or regions by:
  - increasing its capital expenditure (up €486 million or 33.5%) and its financial investments (up €573 million), representing an increase of more than €1 billion (€1,059 million, or 67%) to bring total investment spending (capital expenditure and financial investments) to €2.6 billion,
  - focusing its investments on the following strategic priorities:
    - high-growth countries for around €1 billion,
    - energy efficiency and energy markets for around €900 million,
    - enhancing its key strengths, by leveraging consolidation opportunities for around €300 million;
- increased its R&D expenditure by 7.2% to €431 million.

(1) Based on average exchange rates for 2010.
(2) Excluding the tax effect of capital gains and losses on disposals, asset write-downs and material non-recurring provisions.

Capital expenditure and financial investments

Capital expenditure (excluding finance leases)

(in € millions)	2011	2010	2009
By Sector and Activity			
Innovative Materials – Flat Glass	682	413	326
Innovative Materials – High-Performance Materials	198	149	130
Construction Products	553	422	364
- Interior Solutions	330	194	199
- Exterior Solutions	223	228	165
Building Distribution	210	187	155
Packaging	267	261	259
Other	**26**	**18**	**15**
GROUP TOTAL	**1,936**	**1,450**	**1,249**
By geographic area			
France	313	290	254
Other Western European countries	547	427	414
North America	295	201	167
Emerging markets and Asia	781	532	414
GROUP TOTAL	**1,936**	**1,450**	**1,249**

Financial investments

(in € millions)	Investment	Estimated full-year net sales
2011 acquisitions		
Innovative Materials – Flat Glass	122	46
Innovative Materials – High-Performance Materials	168*	131
Construction Products	139	119
Building Distribution	266	455
Packaging	6	7
Holding companies	1	
TOTAL ACQUISITIONS	**702**	**758**
of which in emerging markets and Asia-Pacific	*292*	
2010 acquisitions		
Innovative Materials – Flat Glass	45	3
Innovative Materials – High-Performance Materials	36	142
Construction Products	37	24
Building Distribution	10	16
Packaging	0	
Holding companies	1	
TOTAL ACQUISITIONS	**129**	**185**
of which in emerging markets and Asia-Pacific	*27*	

** Of which €35 million acquired by the holding companies.*

DIVIDENDS

Year	Number of shares with dividend rights	Net dividend per share (in €)	Adjusted yield based on year-end share price
2009	508,700,750 actions (a)*	1.00	2.63%
2010	524,491,350 actions (b)*	1.15	2.99%
2011	526,721,994 actions (c)**	1.24	4.18%

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

** The number of shares with dividend rights is determined after deducting shares held in treasury on the dividend payment date.*
*** Estimated at January 31, 2012.*
(a) Based on 512,931,016 shares outstanding (capital stock at December 31, 2009) less 4,230,266 treasury shares held on the dividend payment date.
(b) Based on 530,836,441 shares outstanding (capital stock at December 31, 2010) less 6,345,091 treasury shares held on the dividend payment date.
(c) Based on 535,563,723 shares (capital stock at December 31, 2011) less 8,841,729 treasury shares held at January 31, 2012.

At its meeting on February 16, 2012, the Board of Directors decided to recommend to the Annual General Meeting on June 7, 2012, that the 2011 dividend should be set at €1.24.

RESULTS BY SECTOR

Innovative Materials

Key Consolidated Figures

(in € millions)	2011	2010	2009	2008
Net sales [a]	9,596	9,283	7,792	9,677
Operating income	1,130	1,024	370	1,244
EBITDA	1,605	1,506	843	1,737
Capital expenditure [c]	880	562	456	799

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

Innovative Materials sales advanced 4.8% on a comparable structure basis over the year. Organic growth (on a comparable structure and currency basis) was 5.8%. The Sector's operating margin increased to 11.8% from 11% in 2010.

Innovative Materials Sector – Flat Glass

Contribution to the Group	2011	2010	2009	2008
% of net sales	13%	13%	12%	13%
% of operating income	14%	14%	7%	19%

Key Consolidated Figures

(in € millions)	2011	2010	2009	2008
Net sales [b]	5,460	5,218	4,572	5,549
Operating income	478	439	155	701
EBITDA	793	746	444	1,016
Capital expenditure [c]	684	413	326	576

(b) Sales data by Activity include inter-activity sales.
(c) Excluding finance leases.

2011 business review

In 2011, Flat Glass sales were up by some 4.6% on the previous year. Business remained strong in all markets, although demand softened in the second half compared with the 8.2% growth reported in the first six months.

Sales of commodity products (float glass) continued to rise both in and outside Europe. Sales prices improved slightly in Europe and generally held firm outside Europe. Sales of value-added products, including coated glass in particular, recorded above average growth. Two European float lines were restarted, in Poland and Italy, and two remained mothballed.

Building Transformation sales increased compared with 2010, lifted by higher prices and the improved product mix resulting from the development of coated and specialty lines. Sales in Europe held firm overall but trends within the region were mixed, with vibrant demand in Poland, flat volumes in France and Germany and gloomy markets in Southern Europe.

Prices of solar modules and systems fell sharply due to overcapacity in Asia, although volumes continued to grow.

Sekurit reported increased like-for-like sales in a world automotive market up by around 3% compared with 2010 and 14% versus 2008.

The Flat Glass Activity's operating income was up on 2010 despite a steep rise in factor costs. Measures to improve industrial performance and reduce overheads were pursued, particularly in the West. Routine capital expenditure was also contained, without however compromising future growth drivers such as solar solutions and development in emerging markets.

Outlook for 2012

The general trends observed in the second half of 2011 are expected to continue in 2012, with at best tepid growth in Western economies and a more sustained improvement in emerging economies although not on the scale seen in early 2011.

Purchases – particularly raw materials and energy – remain exposed to inflationary pressure.

Our strategic priorities for the Flat Glass Activity will remain the same, namely: implement cross-functional measures to cut fixed costs in and outside Europe and reduce production costs through the World Class Manufacturing (WCM) program and purchasing action plans, and support expansion in emerging markets and improvements in product performance.

The solar market should expand, particularly in Asia, but prices are likely to come under pressure. The two Avancis plants due to come on stream in Germany and South Korea in 2012 will help to drive up sales of the Activity's solar solutions.

Research and development spending will remain high, to enable the Flat Glass Activity to consolidate its position at the forefront of innovation, particularly in solar systems and in energy-saving solutions for the habitat and construction markets and the automotive market.

Innovative Materials Sector – High-Performance Materials

Contribution to the Group	2011	2010	2009	2008
% of net sales	10%	10%	9%	10%
% of operating income	19%	19%	10%	15%

Key Consolidated Figures

(in € millions)	2011	2010	2009	2008
Net sales [(b)]	4,163	4,088	3,240	4,165
Operating income	652	585	215	543
EBITDA	812	760	399	721
Capital expenditure [(c)]	198	149	130	223

(b) Sales data by Activity include inter-activity sales.
(c) Excluding finance leases.

2011 business review

High-Performance Materials sales increased by 7.2% like-for-like in 2011, led by emerging markets and the recovery in most manufacturing activities. Sales by the Abrasives and Performance Plastics businesses returned to their 2008 levels, while the Ceramic Materials business and Saint-Gobain Adfors have still not yet fully recovered.

The Ceramic Materials business experienced mixed market environments in 2011, with sharply rising demand in the Abrasives segment and more subdued growth in the Crystals and Refractories segments. Overall margins in this business remained at a satisfactory level.

The Abrasives business enjoyed strong sales in all regions, spurred by above average growth in the bonded abrasives and superabrasives segments. Margins also improved, reflecting significant manufacturing efficiencies. Product ranges were enhanced in Europe, the United States and Latin America, and production capacity was increased in Asia to keep pace with market growth.

Performance Plastics sales rose by nearly 10% over 2010, led by emerging markets, the coated fabrics product segment and precision parts for the automotive and electronics industries.

Saint-Gobain Adfors (the new name of the Textile Solutions business) experienced a small decline in sales in a persistently gloomy construction market. Two events affected business in 2011, the tapping of a furnace in the Czech Republic and integration of the mosquito net business in Mexico, which proved more difficult than expected. On a positive note, application of anti-dumping tariffs to certain Asian imports gave new impetus to sales in Europe.

The Activity reported a further increase in operating income to above 2008 and 2010 levels, yielding a margin of 15.6% of sales. The operational excellence programs (World Class Manufacturing and Purchasing) led to improved efficiency, and the priority given to product development, particularly abrasives and performance plastics, also contributed to the Activity's good results.

A conservative approach to acquisitions and capital expenditure was pursued in 2011. Selective acquisitions strengthened the Activity's positions in certain markets, notably Abrasives in South America and Performance Plastics in the habitat and construction market. Capital expenditure was higher than in the previous two years, coming close to the 2008 level. The carefully targeted projects concerned Ceramic Materials in the United States (Norpro), high-performance Refractories in Brazil and in India (Sefpro), and Abrasives in China and India.

Outlook for 2012

In 2012, the High-Performance Materials Activity will focus on consolidating its market shares in a difficult environment in developed markets and on implementing growth initiatives in emerging markets, while pursuing the cost control practices adopted during the crisis.

The development of manufacturing capacity in Brazil, Mexico, Poland, India and China will enable the High-Performance Materials Activity to capture the opportunities created in vibrant emerging markets. Western Europe and North America are likely to experience only modest growth, held back by the debt crisis in Europe and a softening of automotive, steel and other industrial markets.

Inflation will remain a key concern. Widespread rises in factor costs (raw materials, energy and salaries) will weigh heavily on all operations, even though the increases should be slightly smaller than in 2011. Certain raw materials are likely to remain under heavy pressure, such as fluoropolymer resins, with prices not expected to stabilize until the second half, zircon sand, whose price hit a record high at the end of last year, and energy, for which prices may rise by as much as 20% in some countries. Wherever possible, these increases in raw material and energy costs will be passed on in the Activity's sales prices.

Operational excellence programs (World Class Manufacturing, Purchasing program and Overhead Control program) will be pursued in 2012.

Capital expenditure will be carefully managed, while also ensuring that the necessary programs are implemented to prepare the future. Capital expenditure in developed regions will be directed towards manufacturing base upgrades and markets experiencing solid expansion, particularly the US energy market (proppants).

All businesses will build stronger bases in emerging markets, led by the Abrasives and Abrasive Materials businesses in Asia.

Construction Products Sector

Contribution to the Group	2011	2010	2009	2008
% of net sales	27%	27%	28%	27%
% of operating income	32%	34%	44%	29%

Key Consolidated Figures

(in € millions)	2011	2010	2009	2008
Net sales [(a)]	11,426	10,940	10,414	12,035
Operating income	1,087	1,064	985	1,070
EBITDA	1,590	1,584	1,494	1,573
Capital expenditure [(c)]	554	422	364	758

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

2011 business review

In 2011, Construction Products sales increased by 5.3% on 2010 at constant exchange rates. Faced with tough markets in Western Europe, particularly the Mediterranean countries, the Sector leveraged its product quality to raise prices and also increased volumes. In North America too, where the interior home improvement market was particularly depressed, growth was driven by higher prices and volumes, while in fast-growing markets such as Brazil, Russia and Asia, the Sector consolidated its presence through acquisitions that helped to drive up sales.

With the significant increase in sales by the various Activities, production costs were the main area of concern in 2011, as prices for chemical compounds, minerals, paper and energy all rose to new heights. These sharp increases weakened the Sector's margin, despite being largely passed on in sales prices or offset by gains from operational excellence programs, productivity improvements and projects to streamline the manufacturing base.

Capital expenditure increased significantly compared with prior years, in line with the Sector's development and growth targets. The main projects were designed to consolidate its presence in fast-growing markets. In light of the higher spend, as in 2010 managing cash surpluses remained a priority although the amounts generated were smaller year-on-year.

Outlook for 2012

In an uncertain economic environment, as reflected in volatile financial markets, managing prices and costs will remain a very important issue in 2012, particularly in those countries where the growth outlook is limited. Expanding the business in fast-growing markets will continue to be a priority.

The Sector will stay on the look-out for acquisition opportunities, while also stepping up its investment in innovation to meet emerging energy efficiency and sustainable development challenges.

Interior solutions

Gypsum

2011 business review

In a still difficult environment, the Gypsum Activity reported increased sales in all regions except North America where business was stable. All fast-growing markets apart from South Africa continued to enjoy strong momentum, with sales growth in the double digits. Despite heavy competitive pressures, average prices increased over the year, reflecting effective price management and successful moves to enhance the value of the Activity's product and service offers. Significant investments were made in process and product innovation, leveraging the synergies existing within the Saint-Gobain Group. In all, the Activity's sales were up 6% on 2010 at constant exchange rates.

In Western Europe, the advance compared with 2010 was gained primarily during the first half of the year. The second half saw a certain loss of momentum, although fourth quarter sales were nonetheless up on the year-earlier period. The picture was very mixed, between markets that enjoyed a sharp increase in sales (such as France, the United Kingdom, Germany, Scandinavia and Finland, and the Netherlands) and those that remained in a downward spiral (Ireland and Southern Europe). Overall, the good performance of certain residential markets, primarily in the first half, and the positive impact of new product launches offset the ongoing contraction of non-residential markets. Tightly managed pricing policies, the development of higher value-added lines and price adjustments reflecting the value of our unique products and services helped to drive an improvement in sales prices despite intense competitive forces.

In Eastern Europe, market conditions varied widely from one country to another with the common feature being intense competitive pressure. As a result, the growth in sales was not fully reflected in operating income which stayed at the 2010 level. The acquisition of Doğaner in Turkey at the end of July gave the Activity its first plasterboard manufacturing base in this country.

In North America, the US market was once again at a historical low. Despite this, the Gypsum Activity reported an increase in sales, due to improved prices and significant market share gains, leading to higher volumes. By contrast, Canada had a difficult year, due to competition from US imports made cheaper by the strong Canadian dollar.

In fast-growing markets, the 2010 recovery continued in Asia and South America. However, the situation remained difficult in South Africa, which experienced another year of declining demand.

Operational excellence campaigns were pursued throughout the year. In manufacturing, for example, the World Class Manufacturing (WCM) program to improve production processes and reduce waste is firmly embedded in the practices of nearly all of the Activity's industrial facilities.

Outlook for 2012

Visibility concerning growth trends in 2012 is limited. It is hard to assess what effect the sovereign debt crisis will have on national markets, although it is likely that, as in 2011, the developed markets will at best experience tepid growth while the emerging markets will remain buoyant.

In this uncertain environment, the Gypsum Activity will continue to focus on efficiently managing prices, containing costs and pursuing initiatives to move up the price curve and broaden the product offering.

The innovation drive will be stepped up in order to develop products that respond more effectively to the growing needs arising from new environmental, energy efficiency and comfort standards in the habitat and construction market. Expansion will be pursued in fast-growing markets, primarily through capacity-boosting capital expenditure, which will enable the Activity to meet increasing demand in the regions concerned and develop new markets where its presence is currently limited.

Insulation

2011 business review

In 2011, the Insulation Activity continued to face difficult market conditions in North America, while enjoying sustained growth in Europe and in emerging markets with the exception of South Africa. Improved prices and volumes led to a 6.2% like-for-like increase in sales.

In Western Europe, the Activity had a very good first quarter due to the unseasonably warm weather. Sales increased in most countries, with like-for-like rises in the double digits in some countries such as France, where the new "RT 2012" thermal regulation boosted demand. Volumes contracted sharply in Ireland, Italy and Spain, however, as the construction and insulation markets continued to shrink.

The Eastern European market outperformed Western Europe, led by very strong gains in Russia and Ukraine. The Turkish market remained vibrant although exports to Arab countries and Greece were affected by recent political events. The July acquisition of Russia-based Linerock extended the Activity's stone wool product offering and its geographic presence in the regions to the East and South of the Urals.

As in 2010, particular attention was made to closely managing sales prices in Europe. While this paid off, it was not enough to fully offset the effects of inflation. The Insulation Activity also kept up its innovation strategy by rolling out the new G3 mineral wool range to the markets in Germany, Austria, Spain, Italy, Benelux, Denmark and Russia.

In the United States, the construction market remained weak but stable, preserving still low volumes at CertainTeed. Following the closure of the Mountaintop plant in 2010, capacity at the Kansas City plant was reduced at the end of the year. There is still considerable overcapacity in the market, however, and price competition is strong, so that while the June price increases had a positive impact this was significantly eroded in the fourth quarter.
The sustainable insulation product line launched on the West Coast of North America in 2010 was rolled out across the whole of Canada and on the East Coast of the United States in 2011.

Sales in the emerging markets of Latin America continued to expand rapidly, despite escalating price competition.

Sales and operating income also rose sharply in Asia, with South Korea benefiting from increased exports to Japan where the earthquake led to temporary plant closures. Despite a sharp slowdown in March and April, full-year sales in Japan were nevertheless up on 2010.

The Insulation Activity pursued its cost-cutting and capacity adjustment measures in 2011. Reductions in the number of shifts and alternate operation of production lines were maintained in countries where demand was still too low. The World Class Manufacturing cost reduction program was also pursued, with deployment due to continue in 2012.

Outlook for 2012

2012 should see an increase in volumes in the main Insulation markets (France, Japan, Germany and the United States), although the economic environment in these countries remains uncertain. In particular, it's not clear what impact the austerity measures introduced by their respective governments will have. Moreover, even though the US construction market should pick up, it is bound to remain too small to allow all producers to operate their plants at full capacity.

In this environment, the Insulation Activity's priorities for 2012 are to:

- control production costs in the face of price inflation and achieve further savings at the plants by continuing to deploy the World Class Manufacturing program. Reductions in the number of shifts and alternate operation of production lines will be maintained in countries where this remains necessary;
- strengthen the leadership strategy in an insulation market that is set to expand rapidly. To this end:
  - R&D and innovation will remain core priorities so that the Activity can fully capitalize on opportunities created by the growing renovation market and the introduction of more rigorous building energy performance standards;
  - the strategy to expand the product line-up will continue, in particular with the deployment of new mineral wools, the promotion of products with low thermal conductivity ratings, the development of exterior thermal insulation systems and the addition of innovative membranes to the Vario range;
  - integration of the technical insulation business will be pursued to improve Isover's positioning in the related markets.

Exterior solutions

Exterior Products

2011 business review

2011 was another gloomy year for the US construction market. The only exception was the roofing market, which rebounded following the spring hurricanes that caused major damage particularly in the southern states. Following these exceptional weather events, plants in the eastern half of the country operated at near maximum capacity for six months in order to meet the increased demand. The surge in demand for roofing products also drove up prices during this period.

For the third year running, housing starts stood at less than 600,000 units, the lowest level since 1950. At the same time, demand in the renovation market remained depressed due to high unemployment rates across the country and volatile stock markets, which eroded household savings and accentuated the decline in residential property prices.

Due to the impact of the spring hurricane damage on roofing demand and prices, the Exterior Products Activity comfortably met its sales and operating income targets for the year despite sharply higher prices for certain essential raw materials. The Siding business experienced a decline in volumes mainly following increases in vinyl product prices introduced in response to a steep rise in the cost of petroleum-derived feedstocks. The Pipe and Foundation Products business continued to excel in several segments of the technical piping market, such as natural gas wells, mining and agriculture.

Responding to vigorous demand for roofing products, the Ennis plant in Texas was demothballed as planned in the second quarter of 2011, to support business growth in the Central Southern part of the United States. 2011 was also the first year of CertainTeed's partnership with a leading retailer. Through this partnership, CertainTeed has extended its presence in the consumer market and created new opportunities to distribute its roofing products, gypsum and restoration millwork in the various states.

Outlook for 2012

No rebound in the general economy or in the Construction Products market is expected in 2012. Most forecasters put the number of residential housing starts at around 600,000 to 700,000 units and a number of factors such as high unemployment are likely to maintain the prevailing gloom in the construction market. Private sector job creation in the final months of 2011 was partly offset by public sector job losses as federal and state government agencies struggled to absorb budget cuts. Residential foreclosures are still very high and the market will need to absorb much of the old housing stock before there can be any real improvement in home prices and the number of housing starts. General uncertainty about tax policy and public expenditure in the United States is unlikely to ease much in 2012, particularly as this is an election year. All of these factors will act as obstacles to a strong recovery in the US construction market.

In this environment, the outlook is mixed for the various Exterior Products businesses. Roofing Products unit sales and prices may decline compared with 2011 as competitors endeavor to win back market share. The Siding and Pipe and Foundation Products businesses are expected to experience more modest growth in unit sales, led by a faint upturn in the construction market (Siding) and continued growth in certain specialized segments of the pipe market (Pipe and Foundation Products).

Pipe

2011 business review

Volumes declined in nearly all world markets in 2011, due to budget cuts in Europe, political instability in the Arab countries, less vigorous growth in China and sharp rises in raw materials prices in all regions. The Pipe Activity delivered a resilient performance in this environment, by increasing sales prices, reducing overheads, improving manufacturing efficiency and carefully managing cash reserves.

Although markets in Western Europe were hit by austerity measures, results in certain areas and business lines were satisfactory. In France, business remained strong in all segments, while in Germany, the successful launch of a new range of pilings helped to support sales. In the United Kingdom, the construction businesses enjoyed further growth in unit sales and sales prices, led by municipal castings. Italy won several major orders at the end of the year and the new BLUTOP® pipe was an outstanding success. In Spain, a raft of measures to adjust capacity and cut costs was introduced in response to the difficult economic environment. The technical excellence of the product range and the Activity's quality of service helped to ward off competition from Asian pipe manufacturers. The Activity had a very good year in the Benelux countries.

Sales in Eastern Europe continued to grow, despite a certain loss of momentum in Poland after a record 2010, with the Balkan countries delivering good performance.

Sales in Brazil declined temporarily following the announcement of public spending cutbacks at the start of the year. However, the Activity is now once again enjoying steady growth in a vibrant market with considerable needs.

Sales were high in China at the start of the year, but demand declined in May after the government announced measures to curb inflation. The Activity's technological leadership was decisive, with the development of new products and the production start-up of large-diameter pipes.

From the start of the year non-European exports were hit by the effects of the "Arab spring" which led to deliveries to certain countries being suspended. Nevertheless, worldwide needs are significant and there is no shortage of potential projects.

Raw materials prices remained very high throughout the year, due to ever increasing Chinese demand. All the Pipe manufacturing facilities responded to this situation by making further substantial productivity gains in order to limit production cost rises.

Sales prices were increased in lackluster markets exposed to fierce competition, going a long way toward offsetting the higher production costs and demonstrating once again the Pipe Activity's responsiveness to rapidly evolving situations.

Innovation remains one of the Activity's core strengths, with new products accounting for over 20% of net sales. The best results were obtained in China, with growing sales of the new PAMBOO® pipe, the wastewater pipe range and a selection of large-diameter pipes and joints. Successful new products in Europe included the TAG32®, which sold well in a depressed wastewater pipe market, a new range of pilings for the German market, and further developments in the BLUTOP® range. In non-European export markets, sales of Hydroclass pipes increased compared with 2011.

Efficiently managing cash flow remained a priority in a tense financial environment.

Outlook for 2012

There is a great deal of uncertainty about the economic outlook in Europe, the political environment in the Arab countries and the future trend in raw materials prices.

In this environment, the Pipe Activity will leverage its technological leadership, flexibility, responsiveness, adaptability and innovation capabilities.

Industrial Mortars

2011 business review

Industrial Mortars sales rose sharply compared with 2010, thanks to more favorable weather conditions in Europe and sustained construction market expansion in emerging economies, particularly in Latin America.

Western Europe saw a return to growth in all countries, with the noteworthy exception of Spain and Portugal. Volumes were substantially higher in some countries and average sales prices were up slightly across the region.

Eastern Europe also saw robust unit sales growth in most markets, although volumes contracted in a few struggling economies. However, prices came under pressure in virtually every country in the region.

Sales growth was particularly strong in Latin America. The Activity continued to expand in Asia, setting up a new partnership in Indonesia in June. Sales in the Middle East grew at a moderate pace, held back by the weak construction market in the United Arab Emirates.

The Mortars Division made significant gains, thanks to the emerging markets which account for an increasing proportion of its total sales. By contrast, Expanded Clay Pellets sales rose at a more modest pace in 2011, due to the Division's greater dependence on Western European markets. Equipment Division sales were lifted by a timid recovery in corporate capital spending both in Europe and in emerging markets.

The Industrial Mortars Activity significantly increased its capital spending in 2011, with projects in emerging markets accounting for a greater proportion of the total spending,,.

Outlook for 2012

2012 will be shaped by more substantial price increases than in 2011, in all geographies, due to the sharp rise in raw materials costs observed since last year.

However, all geographies are expected to report slower growth in unit sales, with the current crisis in the euro zone potentially leading to a decline in volumes in Western Europe that would nevertheless be offset by the higher sales prices. The outlook is mixed in Eastern Europe, with some countries expected to continue doing well, while certain Central European countries could experience a slight dip in unit sales.

Latin America should continue to enjoy sustained volume growth, although a slight loss of momentum is expected compared with 2011, and the outlook in Asia remains good. The Middle Eastern construction markets are unlikely to rebound with unit sales set to grow at roughly the same rate as in 2011.

The Industrial Mortars Activity will continue to invest in emerging markets to support the business's expansion in these geographies. In 2012, these markets will account for over half of the Activity's capital spending budget.

Building Distribution

Contribution to the Group	2011	2010	2009	2008
% of net sales	44%	43%	45%	45%
% of operating income	22%	19%	19%	24%

Key Consolidated Figures

(in € millions)	2011	2010	2009	2008
Net sales [(a)]	18,492	17,326	17,101	19,696
Operating income	768	578	412	894
EBITDA	1,040	851	698	1,178
Capital expenditure [(c)]	210	187	155	291

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

2011 business review

After three years of like-for-like decline, the Sector returned to growth in 2011 with sales up 6.7% as reported and 5.5% like-for-like. However, quarterly performances were mixed and there were also contrasts between geographies.

Sales were up by a strong 10.8% like-for-like in the first quarter, an increase that was partly due to a very low basis of comparison in the same period of 2010 when bad weather led to a fall-off in business. By contrast, the steadily deteriorating economic environment caused a certain loss of momentum in Europe as from the third quarter.

By geography, the main growth drivers were the Nordic countries, Germany, France, the Netherlands and Brazil, which together accounted for three-quarters of the Sector's total sales.

In France, which accounts for over 40% of the business, the construction market recovery that began in the second half of 2010 had a positive impact on sales for the year. This was the case in particular for the Point.P generalist outlets, while Plateforme du Bâtiment and the other specialist brands enjoyed another year of solid growth.

In the United Kingdom, after a strong first half, the business gradually lost momentum as from May when the austerity measures started to affect the country and the construction market stalled. The acquisition of Build Center considerably strengthened the Building Distribution Sector's position in the United Kingdom, particularly in the southeast of England.

In Germany, the Sector reported historically high double-digit growth, while in the Netherlands, sales recovered slowly in a persistently difficult new building market.

The Nordic countries enjoyed a second year of rapid growth, helped this time by the plan to give new impetus to the generalist brands in Scandinavia. Norway, Sweden and Finland all reported excellent performance. The Danish business continued to implement its recovery plan in a construction market that is still recovering from the crisis. In Switzerland, Sanitas Troesch delivered a very strong performance in a stable economic environment, confirming its market leadership [(1)].

In Eastern Europe, sales stabilized compared with 2010 in a still rapidly shrinking building materials market, particularly in Hungary and, to a lesser extent, in the Czech Republic. Poland continued to implement its marketing and organizational restructuring plan.

In Southern Europe, the Building Distribution Sector continued to face a severely impaired economic environment, although specialist brands were less affected than generalist merchants.

Outside Europe, Telhanorte in Brazil and Barugel Azulay in Argentina reported sharp rises in sales.

(1) Source Saint-Gobain.

In North America, performance improved following a network restructuring operation that led to the closure of a large number of outlets, with same-store sales up on the 2010 figure.

Acquisitions once again made only a limited contribution in 2011, adding less than 1% to sales for the year. The acquisition from UK-based Wolseley of Brossette in France and Build Center in the United Kingdom that were announced in July represented a major strategic advance for the Sector, but their contribution to 2011 sales was nevertheless limited, as Build Center was consolidated over just two months and the Brossette acquisition had not yet been approved by the anti-trust authorities at the end of the year.

The Building Distribution Sector's operating income rose by over 30% in 2011, lifting operating margin to 4.2% of sales from 3.3% the previous year. This performance was attributable for the most part to higher sales volumes and tight cost discipline.

Despite a small increase in capital expenditure, cash flow generated by the Sector more than doubled compared with 2010.

Outlook for 2012

After a fairly upbeat year in 2011, the Sector expects the business environment to be more challenging in 2012. Operational priorities will be to increase market share through marketing initiatives, improve gross margin and tighten control over costs. The year will also be devoted to integrating Build Center and Brossette, as well as to deploying major logistics and information systems projects in various geographies.

Packaging

Contribution to the Group	2011	2010	2009	2008
% of net sales	9%	9%	9%	8%
% of operating income	13%	14%	20%	12%

Key Consolidated Figures

(in € millions)	2011	2010	2009	2008
Net sales (a)	3,628	3,553	3,445	3,547
Operating income	448	434	437	442
EBITDA	685	669	657	650
Capital expenditure (c)	267	261	259	283

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

2011 business review

In 2011, Verallia's sales advanced 3% like-for-like. The Sector enjoyed strong momentum in Latin America and delivered a resilient performance in Europe. Although prices rose significantly, the increase was not enough to offset the impact of higher raw materials and energy costs, while unit sales were stable overall with mixed situations in the different geographies. In Western Europe, volumes increased in a persistently volatile environment, thanks to robust sales to export customers, primarily in Italy, Germany and – towards the end of the year – France. In Eastern Europe, sales of spirits bottles in Russia were severely dampened by the government's policy of restricting the issue of liquor licenses and alcohol excise stamps. In the United States, sales declined overall despite firm wine bottle sales. Lastly, Verallia had an excellent year in Latin America, across all of its markets.

Leveraging its dedicated teams and flexible manufacturing base, supported by ambitious operational excellence programs, Verallia was able to offer customers high quality packaging solutions and services in a period of extremely volatile demand. The Sector also pursued its differentiation strategy. With eleven products selected for innovation prizes, Verallia once again demonstrated its skill in anticipating market needs. Sales of the eco-designed Ecova bottles increased during the year, and the new high-end Selective Line brand was deployed worldwide following its presentation at the Luxepack fair in October.

2011 saw a sharp rise in factor costs, mainly for energy and raw materials, that could not be fully passed on in sales prices due to the time lag before contractual indexation clauses apply.

Operating income was at a record high €448 million, representing 12.3% of sales. The improvement in the margin rate compared with 2010 was achieved despite higher factor costs, primarily as a result of improved industrial efficiency.

Apart from in Russia, the Sector's plants operated at close to full capacity to raise inventories to a level in line with market demand, ensuring that Verallia was able to offer customers the standard of service they had come to expect.

During the year, Verallia completed its refocusing on bottles and jars for the agri-food industry by selling its non-strategic glassware business in Brazil to the Latin American market leader.

Capital expenditure was slightly higher than in 2010 and mainly concerned furnace relining operations and plant maintenance, in both developed and emerging markets. A disciplined approach was applied to capital projects, in order to optimize cash flow management. This enabled Verallia to once again report a record EBITDA/Capital expenditure ratio, in line with its objectives, despite the particularly difficult macro-economic environment in the second half.

Construction work began in 2011 on a third glass furnace at Verallia's facility in Argentina, to meet growing demand in the local market.

Other developments during the year included the acquisition of Algerian company Alver, giving Verallia a foothold in the South Mediterranean Basin market which offers strong potential for growth in beverage and food bottles and jars.

Additionally, a number of new initiatives were launched to improve the environmental performance of the Sector's plants.

Overall, in a fluctuating and uncertain macro-economic environment, the Sector delivered another resilient performance in 2011, reporting historically high EBITDA and operating income and record cash flow.

Outlook for 2012

Verallia should experience a further improvement in its financial performance in 2012, fuelled by a recovery in Eastern Europe and sustained strong expansion in Latin American markets. With a powerful, increasingly responsive worldwide manufacturing base and an excellent understanding of local markets, Verallia will continue to offer its customers packaging solutions that set new standards in innovation and environmental performance.

OUTLOOK AND OBJECTIVES FOR 2012

After a second-half 2011 defined by the sovereign debt crisis in Western Europe and by the austerity measures announced in the region's main countries with the aim of curbing budget deficits, 2012 has begun amid fierce uncertainty. However, providing the economic and financial crisis does not escalate, the Group is fairly confident about the outlook for its main markets:

- **in Asia and emerging countries**, growth should be more moderate in the first half of the year but pick up in the six months to December 31;
- **in North America**, industrial markets are expected to continue performing well, while construction markets should see a fledgling recovery, but starting from a very low level;
- **in Western Europe**, the automotive market should contract, while trading on other industrial markets should remain healthy. Residential construction markets should continue to improve, especially in the first half, although performances will still vary widely from one country to the next: France, Germany, Scandinavia and Benelux should deliver further gains, but conditions are likely to remain challenging in Southern Europe and the UK;
- **household consumption markets** should hold firm across all regions.

Against this backdrop, and providing the economic and financial crisis does not escalate, trading for the Group should remain satisfactory.

In 2012, the Group will also demonstrate its extensive capacity to adapt to changes in its markets, by swiftly implementing the necessary adjustments in countries and/or businesses hardest hit by the economic climate (in particular Southern Europe), but also by continuing to develop its key growth drivers (high-growth countries, energy efficiency and energy markets, consolidation in Building Distribution and Construction Products). Profitability will be a constant focus, underpinned by ongoing strict financial discipline. Its action priorities will be to continue:

- increasing sales prices, with the aim of passing on the rise in raw material and energy costs;
- maintaining a tight rein on costs. Amid wider uncertainties, the Group will continue to adapt its cost structure to changes in its markets;
- keeping a close watch on cash management and financial strength;
- developing key growth drivers through a selective investment policy (capital expenditure and financial investments);
- pursuing its R&D efforts.

FOR 2012, THE GROUP'S TARGETS ARE THEREFORE

- Moderate organic growth, driven chiefly by sales prices.
- Operating income and profitability to prove resilient.
- High levels of free cash flow and capital expenditure to stabilize at its 2011 level (around €2 billion).
- A persistently robust balance sheet.

In terms of dividend policy, at its meeting of February 16 Compagnie de Saint-Gobain's Board of Directors decided to recommend to the June 7, 2012 Shareholders' Meeting a dividend payout of €653 million [1], representing 38% of recurring net income and 51% of net income, i.e., a dividend of €1.24 per share, up 8% on the 2010 dividend. Based on the closing share price at January 31, 2012 (€34.02), this represents a dividend yield of 3.65%. The dividends will be paid entirely in cash on June 14, 2012, with the ex-coupon date scheduled for June 11, 2012.

(1) Based on the number of shares with dividend rights at January 31, 2012.

SHARE INFORMATION

Compagnie de Saint-Gobain shares are traded on the NYSE Euronext Paris market (ISN FR 0000 125007). As of December 30, 2011, the Company represented the 19th largest market capitalization, at €15,887 million, and the 14th most actively traded stock on this market, with an average daily trading volume of 2,731,863 shares during the year. Saint-Gobain shares are also traded on the Frankfurt, London and Zurich stock markets (since 1987) and on the markets in Amsterdam and Brussels since 1988. Trading volumes on these markets were also high in 2011, particularly on the London Stock Exchange.

Compagnie de Saint-Gobain is included in the DJ Euro Stoxx 50 index and the Global Dow, a 150-stock index of the most innovative, vibrant and influential corporations from around the world.

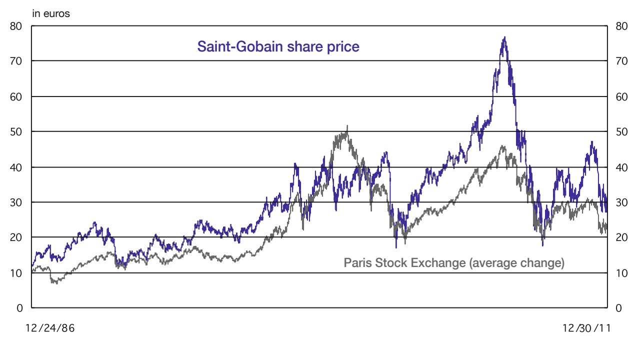
It is also included in the FTSE4Good and Aspi Eurozone sustainable development indices and has been selected to be part of the Ethibel Excellence Register.

In addition, Saint-Gobain equity options are traded on the options markets in Paris (Monep) and London (Liffe), with Monep trading volume representing 815,578 contracts in 2011 versus 1,436,972 in 2010

High and low share prices (1)

Year	High	Low	Year-end price
2009	40.650	16.650	38.070
2010	40.540	27.810	38.500
2011	47.640	26.070	29.665

Share price (2)



Total Shareholder Return

Since the December 1986 privatization: 9.4% per year

Of which: 4.2% price appreciation
5.2% dividend yield
(including the 50% *avoir fiscal* tax credit until 2004)

Calculated as follows:

- IPO price: €10.559 (3)
- 1987 and 1988 cash dividends
- 1989-1997 stock dividends
- 1998-2008 cash dividends
- 2009 and 2010 stock dividends
- 2011 cash dividend
- December 30, 2011 share price: €29.665

Over ten years, from December 31, 2001 to December 30, 2011: 2.9% per year

Of which: 2.6% price depreciation
5.5% dividend yield
(including the 50% *avoir fiscal* tax credit until 2004)

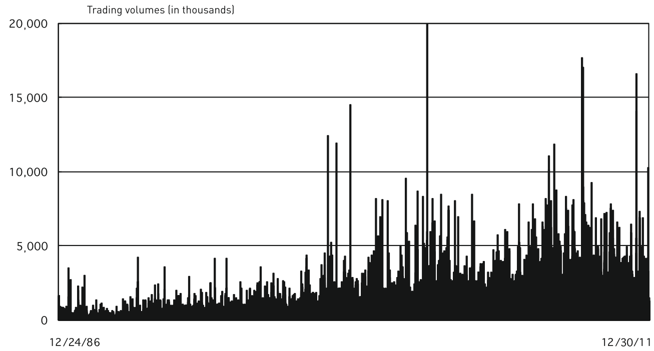
Calculated as follows:

- December 31, 2001 share price: €38.498 (4)
- 2002-2008 cash dividends
- 2009 and 2010 stock dividends
- 2011 cash dividend
- December 30, 2011 share price: €29.665

(1) Source: Euronext Paris SA.
(2) Adjusted for the effects of the February 2009 rights issue.
(3) Adjusted for the effects of the March 1994 and February 2009 rights issues.
(4) Adjusted for the effects of the February 2009 rights issue.

Trading volumes (in thousands) (1)

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



Trading volume since September 2010

(source: NYSE Euronext Paris SA)

Paris Stock Exchange ISIN FR0000125007	Number of shares	Amount (in €)	High (in €)	Low (in €)
2010				
September	61,621,232	1,963,485,669	33.530	28.875
October	53,496,923	1,823,410,523	35.780	31.455
November	65,578,239	2,349,273,526	37.830	33.490
December	54,050,984	2,029,801,530	40.540	34.720
TOTAL	**234,747,378**	**8,165,971,248**		
2011				
January	50,856,494	2,094,914,304	43.870	37.470
February	44,460,554	1,883,318,655	43.870	40.100
March	63,338,300	2,629,186,388	44.850	38.400
April	45,035,995	2,041,497,224	47.640	43.290
May	47,711,303	2,172,126,035	47.425	43.435
June	79,078,888	3,354,135,909	46.440	40.380
July	45,024,304	1,893,287,836	45.380	38.685
August	84,423,703	2,860,440,426	41.420	30.000
September	71,793,913	2,169,164,471	35.500	26.070
October	60,121,204	1,943,286,788	35.735	26.550
November	60,325,517	1,834,144,215	33.650	26.705
December	49,918,706	1,535,399,973	32.690	27.030
TOTAL	**702,088,881**	**26,410,902,224**		
2012				
January	50,856,494	2,094,914,304	43.870	37.470
February	45,884,374	1,640,945,159	37.625	33.875

(1) Source: Euronext Paris SA.

The London Stock Exchange has no longer provided details of trading volumes since end of October 2007.

A total of 635,200 shares were traded on the Frankfurt Stock Exchange in 2011 (source: Datastream).

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

Bonds

During 2011:

- on May 31, a €777 million bond issue was redeemed at maturity by Compagnie de Saint-Gobain;
- on September 30, Compagnie de Saint-Gobain launched a €1,750 million bond issue comprising two tranches:
  - a €1,000 million 4-year 3.5% tranche, and
  - a €750 million 8-year 4.5% tranche.

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

Non-voting participating securities

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

Interest on the securities varies according to Saint-Gobain's results and ranges from 0.75 to 1.25 times the average French corporate bond rate (known as the "TMO" rate). Since the securities were issued, the rate has consistently reached the cap of 1.25 times the TMO and, in light of the Group's 2010 results, it was also at this level in 2011, representing €6.44 per security.

Trading volume since September 2010

(source: NYSE Euronext Paris SA)

Paris Stock Exchange ISIN FR0000140030	Number of securities	Amount (in €)	High (in €)	Low (in €)
2010				
September	1,604	240,061	155.00	149.20
October	1,589	238,101	154.85	140.00
November	2,334	350,274	153.00	148.05
December	1,501	225,936	154.90	148.05
TOTAL	**7,028**	**1,054,372**		
2011				
January	1,242	187,142	154.90	146.05
February	775	119,891	157.80	150.00
March	4,207	641,142	156.60	151.00
April	1,818	282,026	157.00	152.00
May	790	122,129	156.00	154.00
June	1,011	156,259	155.00	154.00
July	6,083	924,456	156.10	135.05
August	4,884	739,627	154.50	138.35
September	772	114,515	151.50	140.00
October	560	82,266	152.00	143.00
November	2,593	382,428	150.00	144.00
December	3,701	546,498	149.00	145.05
TOTAL	**28,436**	**4,298,378**		
2012				
January	1,242	187,142	154.90	146.05
February	4,361	667,684	155.00	150.00

Trading volume since September 2010

(source: NYSE Euronext Paris SA)

Paris Stock Exchange ISIN FR0000047607	Number of securities	Amount (in €)	High (in €)	Low (in €)
2010				
September	6	852	142.00	142.00
October	320	44,498	139.18	139.00
November	1,283	177,523	139.00	138.00
December	140	19,164	138.00	136.00
TOTAL	**1,749**	**242,037**		
2011				
January	10	1,387	138.70	138.70
February	70	9,840	142.00	140.00
March	186	26,284	142.00	141.00
April	74	10,432	141.00	140.00
May	137	19,414	142.00	141.00
June	141	20,433	145.00	142.00
July	25	3,637	149.00	143.15
August	36	5,076	141.00	141.00
September	76	10,472	140.50	133.91
October	22	2,860	130.00	130.00
November	98	12,600	130.00	128.00
December	285	36,312	128.00	123.00
TOTAL	**1,160**	**158,747**		
2012				
January	10	1,387	138.70	138.70
February	14	1,708	122.01	122.01

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

Interest is payable at a fixed rate of 7.5% on 60% of the securities' face value and at a variable rate on the remaining 40%. The variable rate is based on the prior year's consolidated net income and is subject to a cap and a floor. Total interest on the securities ranges from TMOE less 50 bps to TMOE plus 175 bps, depending on Group net earnings. Interest for 2011 amounted to €57.38 per security, paid in two installments (€25.13 and €32.25).

Trading volume since September 2008

(source: Luxembourg Stock Exchange)

Luxembourg Stock Exchange ISIN LU0002804531	Number of securities	Amount (in €)	High (in €)	Low (in €)
2008				
May	2,000	2,342	1,173.50	1,168.50
June	10,000	11,568	1,163.50	1,150.00
TOTAL	**12,000**	**13,910**		
2009		**No trades**		
2010				
November	1,999,000	2,298,850	1,150.00	1,150.00
2011		**No trades**		

No other securities issued by Compagnie de Saint-Gobain were traded on a stock market in 2011.

OWNERSHIP STRUCTURE

Capital stock

At December 31, 2011, Compagnie de Saint-Gobain's capital stock amounted to €2,142,254,892, represented by 535,563,723 common shares with a par value of €4 compared with 530,836,441 shares at the previous year-end. During 2011, a total of 4,727,282 shares were issued, including (i) 4,497,772 shares offered to members of the Group Savings Plan, (ii) 228,677 shares issued upon exercise of the same number of stock options and (iii) 833 shares granted under the 2009 and 2010 performance share plans.

Ownership structure

	December 31, 2011		December 31, 2010		December 31, 2009	
in %	Capital stock	Voting rights	Capital stock	Voting rights	Capital stock	Voting rights
Wendel	17.1	26.8	17.5	26.3	17.5	25.3
Employees, through corporate mutual funds	8.0	11.8	7.8	10.7	7.6	9.6
Caisse des Dépôts et Consignations	2.6	3.2	2.9	3.5	3.2	3.6
Cogema	1.1	1.8	1.1	1.9	1.2	2
Groupama	1.9	1.5	1.9	1.6	2	1.6
Predica	0.6	0.5	0.7	1.2	1.7	2.4
Treasury stock	1.7	0	0.9	0	0.8	0
Others	67.0	54.4	67.2	54.8	66	55.5
TOTAL	**100**	**100**	**100**	**100**	**100**	**100**

To the best of the Company's knowledge, there are no shareholders' pacts and none of the main shareholders mentioned above are acting in concert. No member of the Board of Directors or senior executive of the Group personally holds shares representing more than 0.5% of the capital stock.

Saint-Gobain does not hold any of its own shares except for the treasury stock mentioned above. Based on the most recent survey of identifiable holders of bearer shares, carried out at December 31, 2011, the Company has approximately 250,000 shareholders.

Since 1987, the Company's bylaws have included a clause giving double voting rights to fully paid-up shares that have been registered in the name of the same holder for at least two years. In addition, in the case of a bonus share issue paid up by capitalizing reserves, profits or additional paid-in capital, bonus shares allocated in respect of registered shares with double voting rights also carry double voting rights. Double voting rights are forfeited when the shares are converted to bearer form or sold. However, double voting rights are not forfeited when title is transferred by way of an inheritance or as a result of the liquidation of the marital estate or an inter vivos donation to a spouse or a relative in the direct line of succession, and the transfer is not taken into account for the purpose of calculating the two-year qualifying period.

At December 31, 2011, a total of 684,350,117 voting rights were attached to the 535,563,723 shares outstanding (including non-exercisable rights attached to treasury stock).

The agreement signed with Wendel [1] on March 20, 2008 expired at the close of the June 9, 2011 Annual General Meeting.

A new memorandum of understanding was signed with Wendel and published on May 26, 2011. It is reproduced in full below:

Wendel and Saint-Gobain establish the principles and objectives of their long-term cooperation

Wendel and Saint-Gobain are satisfied that the agreements signed in March 2008 have allowed Saint-Gobain to develop in favorable conditions. The representation of Wendel on Saint-Gobain's Board of Directors, the creation of a Strategy Committee and the resulting high-quality discussions have helped to establish a constructive dialogue and efficient governance, and are likely to create favorable conditions for the Group's development over the long term.

Wendel, as leading shareholder, and Saint-Gobain, through the agreement of its Board of Directors, therefore wish to confirm clear governance principles in a spirit of continuity while

(1) Refer to the 2007 Report, page 14-5.

marking a new stage in the strategic cooperation and regular dialogue between the two groups.

Wendel and Saint-Gobain reiterate their commitment to the following principles:

- support for the strategy approved by the Board of Directors and implemented by Executive Management;
- respect for Saint-Gobain's independence and equal treatment for all shareholders; and
- stability of the shareholder base, Wendel's contribution to the Group's projects and its long-term commitment.

Wendel and Saint-Gobain affirm their determination to implement the business model defined by Saint-Gobain's Board of Directors which serves a clear ambition: to become the leading player in sustainable housing, by offering solutions that make buildings energy-efficient and more environmentally-friendly while improving comfort and quality of life for all, and by maintaining its exemplary approach to all aspects (economic, environmental, social and societal) of sustainable development.

Saint-Gobain's business model is built on three main pillars: Construction Products, Building Distribution and Innovative Materials. Each of these businesses provides the Group with specific advantages which together will help drive growth, notably through targeted acquisitions.

As well as an extensive global footprint including in emerging countries, the Construction Products sector offers the Group leading-edge technical expertise, particularly in terms of energy efficiency. This can be used to support the development of other Group businesses throughout the world. The sector's construction products and solutions also allow Saint-Gobain to meet the fast-growing needs of emerging countries resulting from demographic and economic change and rapid urbanization, and to provide mature economies with sustainable habitat solutions.

Thanks to its close-up knowledge of customers and market trends, the Building Distribution sector contributes to the entire Group. Growth in this sector is driven by new store concepts and new countries.

The third pillar of the model is the Innovative Materials sector, which includes Flat Glass and High-Performance Materials. This sector facilitates access to innovation, as well as to emerging countries. It acts as a technological leader for the entire Group, thanks to a diverse portfolio of materials, patents and processes which have applications in a wide variety of sectors and will also be used in building homes for tomorrow.

On 15 November 2010, the Group set the following objectives through to 2015:

- organic growth in excess of the Group's historical average organic growth rate, accompanied by a targeted acquisitions policy;
- increase in the Group's profitability to above its historical average;
- completion of the strategic refocus on Habitat and withdrawal from Packaging (Verallia);
- stronger positions for the Group in high value-added solutions;
- faster-paced development for the Group in Asia and emerging countries.

The implementation of this strategy will be pursued while respecting the need for strict financial discipline and a clear policy of shareholder returns.

In terms of the Group's governance, Wendel currently holds three out of sixteen seats on Saint-Gobain's Board of Directors, a representation that will remain unchanged going forward. If Wendel were to hold less than 10% of Saint-Gobain's voting rights, it would be entitled to only one seat on the Board. A director representing Wendel has also been appointed to each of Saint-Gobain's Board committees where Wendel plays an important role and this representation would therefore remain unchanged.

Wendel and the Group's Executive Management will consult with each other in due time, notably as regards any draft resolution to be put to the vote of shareholders' meetings. Neither of the two groups will publish a press release nor publicly adopt a position concerning the other party without having previously informed the other party of its intention to do so.

Wendel confirms that it has no plans to increase its shareholding, either directly or indirectly, alone or in concert, beyond 21.5% of Saint-Gobain's capital. This provision will not apply if the number of Saint-Gobain shares is reduced or if Saint-Gobain buys back its own shares, with Wendel's previously held number of shares remaining unchanged, or if a stock dividend is paid leading to an accretion of Wendel's interest. These provisions regarding changes in Wendel's shareholding will no longer apply if any other shareholder acting alone or in concert crosses the threshold of 11% of Saint-Gobain's capital, or if a tender offer is launched for Saint-Gobain. Finally, Wendel agrees not to join a tender offer if the terms of the offer have not been approved by Saint-Gobain's Board of Directors and to abstain from any action that may provoke, encourage or help any such offer to succeed as well as from publicly recommending such an offer, it being specified that Wendel shall nevertheless remain free to tender all or some of its shares if such an offer were to occur.

Wendel shares Saint-Gobain's desire to promote a stable, high-quality shareholder base. Consequently, should Wendel consider transferring shares representing at least 5% of Saint-Gobain's capital, on one or more occasions, to a limited number of buyers, it shall inform Saint-Gobain's Executive Management of its intention. Executive Management would then have one week to submit an acquisition proposal of the shares concerned, by a third party or by the Group, remaining valid for a reasonable period of time. Following discussions between the Chairman of each party, Wendel may accept Saint-Gobain's proposal or pursue another offer with financial and key strategic characteristics that it considers in good faith are better aligned with its own interests. Saint-Gobain may ask Wendel to arrange a prior meeting with buyer(s) that would have been identified. In any case, the Executive Management of Saint-Gobain and Wendel will use their best efforts to make the transaction a success, in a spirit of cooperation and partnership. In the event of a tender offer for Saint-Gobain, this right of first offer will not apply to any Saint-Gobain shares tendered by Wendel to an offer declared valid by the market authorities.

The items described above provide a favorable basis for the development of the long term partnership between Saint-Gobain and its leading shareholder, Wendel. It is understood that in the unlikely event that Wendel should notice a disagreement with the majority of Saint-Gobain's Board of Directors on an issue considered of importance, Wendel and Saint-Gobain would use their best efforts to jointly define, within a period of one month, an amicable solution that allows Wendel to continue fulfilling its role on the Board. If Wendel requested that a resolution not approved by the Board be put to the vote of a shareholders' meeting of Saint-Gobain, this would obviously constitute a disagreement on an issue considered of importance. If the disagreement persisted, Wendel and Saint-Gobain would be discharged from all of their commitments stated herein and the directors representing Wendel would be led to leave the Board at the end of the following shareholders' meeting.

The aforementioned commitments are valid for a period of ten years from the end of the shareholders' meeting of June 9, 2011.

Notifications received under disclosure threshold rules in 2011

On February 9, 2011, the French securities regulator (Autorité des Marchés Financiers – "AMF") published an "ownership interest" statement (déclaration de participation) announcing that Axa Investment Managers Paris had transferred to Amundi Asset Management the management of the Saint-Gobain PEG France corporate mutual fund. Amundi Asset Management disclosed that as of February 3, 2011, this corporate mutual fund held 6.53% of Saint-Gobain's capital and 9.01% of the voting rights.

On June 14, 2011, the AMF was notified by Amundi Asset Management that the Saint-Gobain PEG France corporate mutual fund's interest in the capital of Compagnie de Saint-Gobain had been reduced to below the 5% disclosure threshold. On June 16, 2011, the AMF was notified by Amundi Asset Management that the Saint-Gobain PEG France corporate mutual fund's interest in the capital of Compagnie de Saint-Gobain had been increased to above the 5% disclosure threshold, with 6.37% of the capital and 5.03% of the voting rights. On June 17, 2011, the AMF was notified by Amundi Group, acting on behalf of the Saint-Gobain PEG France corporate mutual fund, that the interest in the capital of Compagnie de Saint-Gobain held indirectly through its subsidiaries, Amundi, SA, Société Générale Gestion SA and Etoile Gestion SA, had been reduced to below the 5% disclosure threshold.

Changes in capital over the last five years

Date	Capital stock	Number of shares	
12-06	€1,403,992,444	350,998,111	Issuance of 342,550 shares upon exercise of the same number of options
12-06	€1,473,678,892	368,419,723	Issuance of 17,421,612 shares on conversion of 4,355,403 Océane bonds
01-07	€1,474,063,692	368,515,923	Issuance of 96,200 shares on conversion of 21,100 Océane bonds and 11,800 shares upon exercise of the same number of options
05-07	€1,479,834,028	369,958,507	Group savings plan: issuance of 1,442,584 shares (at €61.68)
06-07	€1,481,310,428	370,327,607	Issuance of 369,100 shares upon exercise of the same number of options
06-07	€1,495,466,528	373,866,632	Group savings plan: issuance of 3,539,025 shares (at €58.05)
07-07	€1,495,596,528	373,899,132	Issuance of 32,500 shares upon exercise of the same number of options
08-07	€1,495,726,928	373,931,732	Issuance of 32,600 shares upon exercise of the same number of options
09-07	€1,495,773,328	373,943,332	Issuance of 11,600 shares upon exercise of the same number of options
10-07	€1,495,789,428	373,947,357	Issuance of 4,025 shares upon exercise of the same number of options
11-07	€1,495,959,828	373,989,957	Issuance of 42,600 shares upon exercise of the same number of options
12-07	€1,496,864,608	374,216,152	Issuance of 226,195 shares upon exercise of the same number of options
05-08	€1,529,956,396	382,489,099	Group savings plan: issuance of 8,272,947 shares (at €51.751)
12-08	€1,530,287,940	382,571,985	Issuance of 82,886 shares upon exercise of the same number of options
03-09	€1,962,356,788	490,589,197	Allocation of 382,571,985 stock warrants exercisable on the basis of seven warrants for two new shares at a price of €14 per share
05-09	€1,996,350,296	499,087,574	Group savings plan: issuance of 8,498,377 shares (at €15.80)
06-09	€2,051,573,976	512,893,494	Stock dividend: issuance of 13,805,920 shares (at €22.83)
12-09	€2,051,724,064	512,931,016	Issuance of 37,522 shares upon exercise of the same number of options
05-10	€2,071,700,020	517,925,005	Group savings plan: issuance of 4,993,989 shares (at €28.70)
06-10	€2,123,145,492	530,786,373	Stock dividend: issuance of 12,861,368 shares (at €28.58)
12-10	€2,123,345,764	530,836,441	Issuance of 50,068 shares upon exercise of the same number of options
05-11	€2,141,336,852	535,334,213	Group savings plan: issuance of 4,497,772 shares (at €33.42)
12-11	€2,142,251,560	535,562,890	Issuance of 228,677 shares upon exercise of the same number of options
12-11	€2,142,254,892	535,563,723	Allocation of 833 performance shares

Financial authorizations

The financial authorizations given to the Board of Directors at the Annual General Meeting of June 4, 2009 expired during 2011, with the following two exceptions:

- Authorizations valid until August 2012:
  - Authorization to grant stock options to employees and officers, exercisable at a price at least equal to the average of the prices quoted for the Company's shares over the twenty trading days preceding the Board's decision. The options may not be exercisable for shares representing more than 3% of the capital.
  - Authorization to make stock grants representing the equivalent of up to 1% of the capital.
  - The 3% ceiling on stock options and the 1% ceiling on stock grants are not cumulative.

At the Annual General Meeting of June 9, 2011, the Board of Directors was given the following financial authorizations:

- Authorizations valid until August 2013:
  - Authorization to issue up to €425 million worth of shares with pre-emptive subscription rights.
  - Authorization to issue debt securities, without pre-emptive subscription rights but with a compulsory priority period for subscription for shareholders, giving access to shares in the Company or its subsidiaries, or to shares in the Company to which entitlement would be granted by securities to be issued, where applicable, by subsidiaries. The aggregate par value of shares issued under the authorization is capped at €212 million and the aggregate nominal value of debt securities at €1,500 million. The Board of Directors may increase the number of securities to be issued by a maximum of 15% if an issue is oversubscribed.

- Authorization to issue shares in payment for shares or share equivalents of another company. The number of shares issued under this authorization may not exceed the equivalent of 10% of the issued capital.
- Authorization to increase the capital by up to €106 million by capitalizing additional paid-in capital, reserves, income or other eligible items.
- The amounts specified in these four authorizations are not cumulative.
- Authorization to issue up to €53.08 million worth of shares (excluding premiums) to the Group Savings Plan. The shares may not be offered at a discount of more than 20% on the average of the prices quoted for the Company's shares over the twenty trading days preceding the Board's decision.
- Authorization to cancel all or some of the Saint-Gobain shares bought back by the Company provided that the total number of shares cancelled within any 24 month period does not exceed 10% of the Company's capital, and to reduce the capital accordingly.

- Authorization valid until December 2012:
  - Authorization to issue warrants while a takeover bid for the Company is in progress. The aggregate par value of shares issued on conversion of the warrants may not exceed €530.8 million.

In 2011, the following authorizations were used:

- Group Savings Plan: 4,497,772 shares were issued under the plan.
- Stock options: 482,150 options were granted.
- Performance share plan: 942,920 shares were granted.

Information that could have a bearing on a takeover bid

French legislation adopted in application of the European takeover directive stipulates that the annual report must include any information that could have a bearing on a takeover bid. In the case of Saint-Gobain, the disclosures required under this legislation at December 31, 2011 are as follows:

- As explained above, the Board of Directors has been authorized by shareholders to issue stock warrants exercisable for up to €530.8 million worth of shares (excluding premiums) while a takeover bid for the Company is in progress. The current authorization expires in December 2012.

- In the case of a change of control of Compagnie de Saint-Gobain:
  - several U.S. subsidiaries' deferred compensation and defined benefit pension plans would be terminated immediately and the rights of beneficiaries would become due within twelve months. The total potential cost was USD 154.5 million at December 31, 2011;
  - the bonds issued by the Company since 2006 could become redeemable and accrued interest on the bonds could become immediately due under certain conditions. At December 31, 2011, the amounts concerned were as follows: €700 million under the May 2006 issue; GBP 600 million under the November 2006 issue; €2,500 million under the April 2007 issue; €605 million under the September 2008 issue; €686 million under the January 2009 issue; €575 million under the May 2009 issue; €200 million under the June 2009 issue; €750 million under the October 2010 issue and the two tranches of the September 2011 issue, one of €1,000 million and the other of €750 million, increased to €950 million in January 2012. In addition, the agreements relating to the syndicated lines of credit for general corporate purposes set up in June 2009 (€1,000 million) and December 2010 (€3,000 million) as well as a €155 million bank loan all contain change of control clauses.

Group Savings Plan

The Group Savings Plan (*Plan d'Epargne Groupe* – "PEG") is a key feature of the social contract within the Group. It represents an excellent means of giving employees a stake in the Group's success and profits.

In 2011, 4,497,772 shares were issued under a standard plan with a five or ten-year lock-up, for a total of €150.4 million after skimming off approximately 8% of the subscriptions (2010: 4,993,989 shares and €143.3 million).

In France, 52.1% of employees invested in the PEG through corporate mutual funds (*Fonds Communs de Placement d'Entreprise* – "FCPE"). With employees in twenty-five other European countries and seventeen countries outside Europe also given the opportunity to take part, in all, over 37,000 Group employees invested in the PEG in 2011.

At December 31, 2011, the corporate mutual funds held 8% of the Company's capital and 11.8% of the voting rights.

A new plan will be launched in 2012, giving employees the opportunity to acquire up to 5.3 million shares with a five or ten-year lock-up.

Stock Option and performance share plans – principles and rules decided by the Board of Directors

Stock option plans have been set up by the Board of Directors every year since 1987. The option exercise periods for the plans set up between 1987 and 2001 have expired, meaning that these plans are now terminated.

Options granted under the 2003-2007 plans were exercisable for new shares, while those granted under the 1997-2002 plans were exercisable for existing shares purchased into treasury for this purpose. For plans set up since 2008, the Board decided that the origin of the shares (new shares or treasury stock) would be determined at the latest on the day preceding the start of the exercise period. If any options were to be exercised before the Board made its decision, the grantees would receive new shares.

The decision to grant stock options is made by the Board based on the recommendation of the Appointments Committee. The members of this Committee in 2011 were Jean-Martin Folz, Chairman, Bernard Gautier, Sylvia Jay and Jean-Cyril Spinetta.

In November 2011, the Board of Directors set up the following plan:

Combined Performance Stock Option/Performance Share Plan

This plan has been set up for 1,753 grantees corresponding to high-potential managers and managers who have performed exceptionally well (303 grantees), the key corporate and line executives in the Sectors and Delegations (1,411 grantees), members of the Group Coordination Committee excluding the senior executive team (28 grantees) and Group Executive Management (11 grantees). In all, the grantees represent 51 different nationalities and are based in 49 different countries.

The plan involves a total of 482,150 performance stock options and 942,920 performance shares. Members of the Group Coordination Committee received both options and shares, while the other grantees all received performance shares only.

The performance conditions attached to the stock options and performance shares are as follows:

- The grantee must be an employee or officer of a Saint-Gobain company at the exercise date of the stock options and/or must have held such a position throughout the vesting period of the performance shares, except in a number of defined specific cases such as death, disability, no-fault dismissal, mutually-agreed contract termination, retirement, intra-Group transfer, or sale of the grantee's host company to an external entity.
- Exercise of the stock options is contingent on Saint-Gobain's stock market performance compared with a reference stock market index which is based for 50% on the CAC 40 and for 50% on a sample of eight listed companies (1) operating in one or more of Saint-Gobain's businesses. The performance shares will vest based on the achievement of ROCE targets set for the Group.

The applicable performance conditions are as follows:

a) For the stock options, Saint-Gobain's stock market performance will be calculated by comparing average prices for Saint-Gobain shares and for the reference index over the six months to November 24, 2011 with the respective average prices for the six months to November 24, 2015. Based on this comparison, at the end of the four-year vesting period the options will be exercisable as follows:

- if Saint-Gobain's stock market performance exceeds that of the reference index by at least 10%, all of the options will be exercisable;
- if Saint-Gobain's stock market performance is between 10% higher and 20% lower than that of the reference index, the number of exercisable options will be calculated by the following formula:
  Number of options granted
  x (share performance – 80%)/(110%-80%);
- if Saint-Gobain's stock market performance is 20% or more below that of the reference index, none of the options will be exercisable.

b) For the performance shares, achievement of the vesting conditions will be calculated as follows for 2012:

- if ROCE is higher than 11.5%, all of the performance shares will vest;
- if ROCE is between 8.5% and 11.5% the number of shares that vest will be calculated by the following formula:
  Number of performance shares granted
  x (2012 ROCE – 8.5%)/(11.5% - 8.5%));
- if ROCE is lower than 8.5%, none of the performance shares will vest.

However, the first 100 shares allocated to each grantee are exempt from performance conditions (except for shares allocated to Coordination Committee members which are all subject to performance conditions).

The exercise price of the options granted in November 2011 was set at the average of the prices quoted for Saint-Gobain shares over the 20 trading days preceding the grant date, i.e. €31.22.

(1) NSG, 3M, Imerys, CRH, Travis Perkins, Wolseley, Owens Corning and Rockwool.

There are no other stock option plans in progress and no other options on the shares of French or foreign listed or unlisted Group companies.

Concerning stock options, pursuant to article L.225-185 of the French Commercial Code, the Board has decided that 50% of the net capital gain (after deducting payroll taxes and other personal taxes) realized by Pierre-André de Chalendar, Chairman and Chief Executive Officer, on the sale of shares acquired upon exercise of the options granted to him must be reinvested in Saint-Gobain shares until such time as he leaves office. This obligation will cease to apply if and when the total number of Saint-Gobain shares held personally by Mr. de Chalendar in registered form represents the equivalent of five years of his gross fixed compensation. In order to calculate the number of years, months and days of gross fixed compensation that Mr. de Chalendar's registered shares represent, the total number of Saint-Gobain shares that he holds personally in registered form will be multiplied by the opening price quoted for Saint-Gobain shares on the option exercise date and compared with the amount of his gross fixed compensation applicable at that time.

Concerning performance shares, in accordance with the AFEP-MEDEF Corporate Governance Code applicable to French listed companies, the Board has decided to require the Chairman and Chief Executive Officer to purchase an additional number of Saint-Gobain shares corresponding to one quarter of his vested performance shares, at the latest within sixty days of the end of the lock-up period applicable to his performance shares. This obligation will cease to apply if and when the total number of Saint-Gobain shares held personally by the Chairman and Chief Executive Officer in registered form represents the equivalent of three years of his gross fixed compensation. In order to calculate the number of years, months and days of gross fixed compensation that Mr. de Chalendar's registered shares represent, the total number of Saint-Gobain shares that he holds personally in registered form will be multiplied by the average of the prices quoted for Saint-Gobain shares over the twenty trading days following the end of the lock-up period and compared with the amount of his gross fixed compensation applicable at that time.

Transactions in Compagnie de Saint-Gobain securities

In 2011, the Company's corporate officers disclosed the following transactions in Saint-Gobain securities to the AMF:

	Type of securities	Type of transaction	Transaction date	Unit price	Total amount
Jean-Louis BEFFA	Stock options	Exercise	March 1, 2011	€36.37	€3,116,108.86
	Shares	Sale	March 1, 2011	€44.30	€3,795,535.40
	Stock options	Exercise	March 30, 2011	€36.37	€1,423,048.99
	Shares	Sale	March 30, 2011	€44.30	€1,733,326.10
Pierre-André de CHALENDAR	Stock options	Exercise	March 1, 2011	€32.26	€645,200
	Shares	Sale	March 1, 2011	€43.05	€861,000
	PEG Saint-Gobain units	Purchase	May 17, 2011	€33.42	€101,900

Share buybacks

In 2011, the Company bought back directly on the market 4.5 million shares (with an aggregate par value of €18 million) for €198.6 million including transaction costs of €119 thousand. A total of 496,176 Saint-Gobain shares were sold during the year upon exercise of stock options, for a total of €16.6 million. In addition, 5.94 million shares were purchased forward to May 31, 2012 at an average price of €33.09.

No shares were cancelled during the year.

Article L.225-209 of the French Commercial Code requires disclosure of the number of shares held in treasury. At December 31, 2011, 8,490,960 shares representing 1.7% of the capital were held in treasury. Of these, 4,500,000 were intended to be canceled and the remainder were held for allocation on exercise of 2001 and 2002 stock options and 2009 performance stock options, as follows:

Plans	Number of shares	Purchase price *(in €)*
2001	1,473,356	65,757,760
2002	1,106,802	58,836,863
2009	1,410,802	53,787,297

Shares held in treasury at December 31, 2011 were acquired at an average cost of €44.40 and shares sold during the year upon exercise of stock options were acquired at an average cost of €43.62.

In November 2007, the Company entered into an agreement with Exane to provide liquidity for the Saint-Gobain share. As required by French securities regulations, the agreement complies with the code of ethics issued by the *Association Française des Entreprises d'Investissement* that was approved by the French securities regulator ("AMF") on March 25, 2005. Under the terms of the agreement, Exane is mandated to maintain a liquid market in Compagnie de Saint-Gobain shares and ensure that prices are regularly quoted for the shares, so as to avoid price fluctuations that are not justified by market trends.

When the agreement came into effect on December 3, 2007, Compagnie de Saint-Gobain deposited €50 million in the liquidity account, which was reduced to €30 million on May 27, 2009. At December 31, 2011, 406,949 Saint-Gobain shares were held in the account along with €13,884,779 in cash.

INFORMATION POLICY AND FINANCIAL CALENDAR

INFORMATION POLICY

The Investor Relations Department is responsible for implementing the Group's information policy with the financial community, investors and shareholders. The head of Investor Relations is Florence Triou-Teixeira (Phone: +33 (0) 1 47 62 33 33 – Fax: +33 (0) 1 47 62 50 62). The Department answers requests for information about the Group and issues regular Shareholder Newsletters and the Shareholders' Guide. These documents can be obtained from:

Saint-Gobain
Investor Relations Department
Les Miroirs
92096 La Défense Cedex - France
Toll Free number 0800 32 33 33
(calls originating in France only)

In 2011, the Company offered its private shareholders a diverse program of on-site visits, stock market courses and meetings with the Group's executives. It also organized meetings with shareholders in Bordeaux, Toulouse, Lyon, Nantes, Brussels and Reims, as well as a conference during the Salon Actionaria in Paris in November, representing the fourteenth year in a row that the Company has taken part in this retail investor fair.

Numerous meetings were also organized throughout the year with various members of the financial community, including analysts, institutional investors and journalists. In addition to the annual and interim results presentations held in Paris, London, New York and Boston in February and July, several dozen roadshows were organized in various European financial centers.

Detailed information about the Group and its businesses, and webcasts of analyst meetings are available on the Saint-Gobain website:

www.saint-gobain.com

The Investor Relations team can be contacted by e-mail at the following address:

actionnaires@saint-gobain.com

Compagnie de Saint-Gobain also makes additional services available to holders of registered shares through its registrar, BNP Paribas, to improve the management of their shares. For more information, contact the Investor Relations Department or:

BNP Paribas Securities Services
BP2S/GCT – Emetteur Adhérents Euroclear 30
Immeuble GMP – Europe
9 rue du Débarcadère – 93761 Pantin Cedex
By phone: Toll free number 0 800 03 33 33
(calls originating in France only)
By fax: +33(0)1 55 77 34 17
Online, at: www.planetshares.bnpparibas.com

2012 FINANCIAL CALENDAR

2011 final results: February 16, after the market closes

First quarter 2012 sales: May 3, after the market closes

Annual General Meeting: June 7 at 3:00 p.m. at Palais des Congrès (Porte Maillot), Paris 17

Dividend:
Ex-dividend date: June 11
Record date: June 13
Dividend payment date: June 14

First-half 2012 results: July 26, after the market closes

Sales for the first nine months of 2012: October 25, after the market closes

CORPORATE GOVERNANCE

Board of Directors

Compagnie de Saint-Gobain complies with the principles of corporate governance set out in the AFEP-MEDEF corporate governance code for publicly listed companies in France.

Membership of the Board of Directors

Details of the members of the Board of Directors of Compagnie de Saint-Gobain are as follows (the following information is correct as of February 1, 2012):

Pierre-André de CHALENDAR

Chairman and Chief Executive Officer of Compagnie de Saint-Gobain

Pierre-André de Chalendar, 53, was appointed Chief Operating Officer of Compagnie de Saint-Gobain by the Board of Directors on May 3, 2005 and was elected to the Board by the Annual General Meeting of June 8, 2006, becoming Chief Executive Officer on June 7, 2007 and Chairman and Chief Executive Officer on June 3, 2010. He is also a director of Veolia Environnement. Within the Saint-Gobain Group, he is Chairman of the Board of Directors of Verallia and a director of Saint-Gobain Corporation and GIE SGPM Recherche.
He owns 103,174 Saint-Gobain shares.
Business address: Les Miroirs
- 92096 La Défense Cedex (France)

Jean-Louis BEFFA

Honorary Chairman of Compagnie de Saint-Gobain

Jean-Louis Beffa, 70, is also Senior Advisor for Lazard Frères, a director of GDF-Suez and Groupe Bruxelles Lambert, a member of the Supervisory Board of Siemens AG, Le Monde SA, Le Monde & Partenaires Associés SAS and Société Editrice du Monde SA, and Chairman of Claude Bernard Participations SAS and JL2B Conseils. Within the Saint-Gobain Group, he is a director of Saint-Gobain Corporation. He is also co-Chairman of the Centre Cournot pour la Recherche en Économie and Vice-Chairman of the Supervisory Board of the Fonds de Réserve des Retraites.
He owns 248,555 Saint-Gobain shares.
Business address: Les Miroirs
- 92096 La Défense Cedex (France)

Isabelle BOUILLOT

Chairman of China Equity Links

Isabelle Bouillot, 62, is a director of Umicore and Dexia, as well as the Managing Partner of IB Finance.
She owns 1,542 Saint-Gobain shares.
Business address: 42, rue Henri Barbusse
- 75005 Paris (France)

Gerhard CROMME

Chairman of the Supervisory Board of ThyssenKrupp AG

Gerhard Cromme, 68, a German citizen, is also a member of the Supervisory Board of Allianz SE and Axel-Springer AG, and Chairman of the Supervisory Board of Siemens AG.
He owns 800 Saint-Gobain shares.
Business address: August Thyssen Strasse 1
- D40211 Düsseldorf (Germany)

Jean-Martin FOLZ

Chairman of the Board of Directors of Eutelsat

Jean-Martin Folz, 65, is also a director of Société Générale, Alstom, Axa and Solvay and a member of the Supervisory Board of ONF Participations SAS.
He owns 1,653 Saint-Gobain shares.
Business address: 11 avenue Delcassé
- 75008 Paris (France)

Bernard GAUTIER

Member of the Management Board of Wendel

Bernard Gautier, 52, is also Chairman of Winvest International SA SICAR and Oranje-Nassau Développement SA SICAR, Chairman of the Management Advisory Board of Winvest Conseil, Vice Chairman of the Board of Directors of Deutsch Group SAS, Legal Manager of Materis Parent, a director of Communication Media Partner, Stahl Holdings BV, Stahl Group SA, Stahl Lux2, Stichting Administratiekantor II, Stahl Groep II, Trief Corporation, Wendel Japan KK, Winvest Part BV, member of the Supervisory Board of Altineis, Legal Manager of BG Invest, BJPG Conseil, SCI La République, La Cabane Saint-Gautier, BJPG Participations, BJPG Assets and Sweet Investment Ltd.
He owns 1,102 Saint-Gobain shares.
Business address: 89 rue Taitbout - 75009 Paris (France)

Anne-Marie IDRAC
Consultant

Anne-Marie Idrac, 60, is also a member of the Supervisory Board of Vallourec and a director of Mediobanca. She owns 800 Saint-Gobain shares.
Business address: Les Miroirs
- 92096 La Défense Cedex (France)

Sylvia JAY
Chairman of L'Oréal UK & Ireland

Lady Jay, 65, a British citizen, is also a director of Alcatel-Lucent and Lazard Limited.
She owns 1,030 Saint-Gobain shares.
Business address: 255 Hammersmith Road, London W6 8 AZ (United Kingdom)

Frédéric LEMOINE
Chairman of the Management Board of Wendel

Frédéric Lemoine, 46, is also Chairman of the Supervisory Board of Oranje-Nassau Groep BV, Chairman of the Board of Directors of Trief Corporation, Vice-Chairman of the Board of Directors of Bureau Veritas, and a director of Groupama and Legrand. He owns 800 Saint-Gobain shares.
Business address: 89 rue Taitbout - 75009 Paris (France)

Gérard MESTRALLET
Chairman and Chief Executive Officer of GDF Suez

Gérard Mestrallet, 62, is also a director of Pargesa Holding SA. Within the GDF Suez Group, he is Chairman of the Board of Directors of GDF Suez Energie Services, Suez Environment Company and GDF Suez Belgium, Chairman of GDF Suez Rassembleurs d'Energies SAS, and Vice-Chairman of Electrabel and Sociedad General de Aguas de Barcelona.
He owns 840 Saint-Gobain shares.
Business address: 1, Place Samuel de Champlain
– Faubourg de l'Arche – 92930 Paris La Défense (France)

Michel PÉBEREAU
Honorary Chairman of BNP Paribas

Michel Pébereau, 70, is also a Director of BNP Paribas, Axa, Total, Pargesa Holding, EADS N.V. and BNP Paribas Suisse, a member of the Supervisory Board of Banque Marocaine pour le Commerce et l'Industrie and Institut Aspen France, and a non-voting Director of Galeries Lafayette. He is also Chairman of the BNP Paribas Foundation and the Management Board of Institut d'Etudes Politiques de Paris, and member of the Académie des Sciences Morales et Politiques, the Executive Council of the MEDEF and the Strategy Committee of the Institut de l'Entreprise.
He owns 1,100 Saint-Gobain shares.
Business address: 3 rue d'Antin - 75002 Paris (France)

Jacques PESTRE
Senior Vice-President of Point.P, Chairman of the Supervisory Board of the Saint-Gobain PEG France corporate mutual fund

Jacques Pestre, 55, also holds the following positions within the Saint-Gobain Group: Chairman and Chief Executive Officer of BMSO and BMCE, Chairman of the Board of Directors of Comasud, President of BMRA SAS, MBM SAS, CIBOMAT SAS, Boch Frères SAS, Dépôt Services Carrelages SAS and Thuon and permanent representative of Point.P on the Board of Directors of Point.P Développement and Nouveaux Docks. He owns 800 Saint-Gobain shares.
Business address: Le Mozart – 13/15 rue Germaine Taillefer
– 75940 Paris Cedex 19 (France)

Olivia QIU
Global Head of Strategic Industries, Alcatel-Lucent

Olivia Qui, 45, does not hold any other directorships.
She owns 800 Saint-Gobain shares.
Business address: 3, avenue Octave Gréard
– 75007 Paris (France)

Denis RANQUE
Chairman of the Board of Directors of Technicolor

Denis Ranque, 60, is also Chairman of the Board of Seilab Entreprises, a director of CMA-CGM, CGG Veritas and Fonds Stratégique d'Investissement (FSI), and Chairman of the Board of Directors of Mines Paris Tech, the Cercle de l'Industrie and the Association Nationale de la Recherche et de la Technologie. He owns 800 Saint-Gobain shares.
Business address: 1 rue Jeanne d'Arc
– 92443 Issy-les-Moulineaux Cedex (France)

Gilles SCHNEPP
Chairman and Chief Executive Officer of Legrand

Gilles Schnepp, 53, is also Chairman and Chief Executive Officer of Legrand France and Chairman and Chief Executive Officer, Chairman of the Board of Directors, Chairman or member of the Supervisory Board or a director or permanent representative of a corporate director of various Legrand Group subsidiaries.
He owns 800 Saint-Gobain shares.
Business address: 128, avenue du Maréchal de Tassigny
- 87045 Limoges Cedex (France)

Jean-Cyril SPINETTA
Chairman and Chief Executive Officer of Air France-KLM

Jean-Cyril Spinetta, 68, is also Chairman of the Supervisory Board of Areva, a director of Alcatel-Lucent and Alitalia CAI, and member of the Board of Governors of IATA.
He owns 1,114 Saint-Gobain shares.
Business address: 45, rue de Paris
- 95747 Roissy-Charles de Gaulle Cedex (France)

Board secretary: **Antoine Vignial**,
Corporate Secretary of Compagnie de Saint-Gobain

Membership of the Board of Directors

On the recommendation of the Appointments Committee, the Board of Directors conducted, like every year, a review of each director's situation in relation to the independence criteria set out in the AFEP-MEDEF corporate governance code for publicly listed companies. Based on this review, the Board concluded that as of February 1, 2012, all of these criteria were met by seven (44%) of the sixteen directors – Isabelle Bouillot, Anne-Marie Idrac, Jean-Martin Folz, Sylvia Jay, Olivia Qiu, Denis Ranque and Jean-Cyril Spinetta – and that these seven directors could therefore be qualified as independent. This proportion is lower than recommended in the corporate governance code, due to the presence on the Board of three directors representing Wendel, which owns 17.1% of the Company's capital. It reflects the fact that Compagnie de Saint-Gobain is neither a widely-held corporation in which "independent directors should account for half the members of the Board", nor a controlled company, in which "independent directors should account for at least a third" according to the code.

As of February 1, 2012, four of the sixteen Board members were women (25%), a proportion in line with the AFEP-MEDEF's 2010 recommendation on the subject and the requirements of the French Act of January 27, 2011 on gender equality on companies' boards of directors.

One seat on the Board is held by a representative of employee shareholders (Jacques Pestre) but there are no directors elected by employees or non-voting directors.

The Company's bylaws stipulate that each director must hold at least 800 shares.

Re-election of Directors

The dates on which the current directors were first elected to the Board and the starting dates of their current terms are as follows:

• Jean-Louis BEFFA	February 1987	June 2008
• Michel PÉBEREAU	June 1993	June 2009
• Gérard MESTRALLET	November 1995	June 2011
• Isabelle BOUILLOT	June 1998	June 2008
• Jean-Martin FOLZ	March 2001	June 2009
• Sylvia JAY	June 2001	June 2008
• Denis RANQUE	June 2003	June 2011
• Gerhard CROMME et Jean-Cyril SPINETTA	June 2005	June 2009
• Pierre-André de CHALENDAR	June 2006	June 2010
• Bernard GAUTIER	June 2008	June 2008
• Frédéric LEMOINE	April 2009	June 2009
• Gilles SCHNEPP	June 2009	June 2009
• Anne-Marie IDRAC	June 2011	June 2011
• Jacques PESTRE	June 2011	June 2011
• Olivia QIU	June 2011	June 2011

Directors are elected for four-year terms, in accordance with the shareholders' decision taken at the Annual General Meeting of June 5, 2003.

The current directors' terms expire as follows:

- Jean-Louis Beffa [1], Isabelle Bouillot, Bernard Gautier, Sylvia Jay and Frédéric Lemoine: 2012 Annual General Meeting;
- Gerhard Cromme, Jean-Martin Folz, Michel Pébereau, Gilles Schnepp and Jean-Cyril Spinetta: 2013 Annual General Meeting;
- Pierre-André de Chalendar: 2014 Annual General Meeting;
- Anne-Marie Idrac, Olivia Qiu, Jacques Pestre, Gérard Mestrallet, Denis Ranque: 2015 Annual General Meeting.

(1) Jean-Louis Beffa has reached the age limit for serving as a director and is therefore not eligible to stand for re-election.

Other directorships and positions held by members of the Board of Directors in prior years

(other than that of a director of Compagnie de Saint-Gobain)

Director's name and current main position (as of February 1, 2012)	2011	2010	2009	2008	2007
Jean-Louis BEFFA Honorary Chairman of Compagnie de Saint-Gobain	• Senior Advisor, Lazard Frères • Director of GDF Suez and of Groupe Bruxelles Lambert • Chairman of the Supervisory Board of Siemens AG, Le Monde SA, and Société Editrice du Monde SA • Chairman of Claude Bernard Participations SAS and of JL2B Conseils • Chairman of the Supervisory Board of Le Monde Partenaires SAS • Within the Saint-Gobain Group, director of Saint-Gobain Corporation • Co-Chairman of Centre Cournot pour la Recherche en Économie and Vice-Chairman of the Supervisory Board of the Fonds de Réserve des Retraites	• Chairman of the Board of Directors of Compagnie de Saint-Gobain • Vice-Chairman of the Board of Directors of BNP Paribas • Director of GDF-Suez and of Groupe Bruxelles Lambert • Chairman of the Supervisory Board of Siemens AG, Le Monde SA, and Société Editrice du Monde SA • Chairman of Claude Bernard Participations SAS • Chairman of the Supervisory Board of Le Monde Partenaires SAS • Within the Saint-Gobain Group, director of Saint-Gobain Corporation • Co-Chairman of Centre Cournot pour la Recherche en Économie and Vice-Chairman of the Supervisory Board of the Fonds de Réserve des Retraites	• Chairman of the Board of Directors of Compagnie de Saint-Gobain • Vice-Chairman of the Board of Directors of BNP Paribas • Director of GDF-Suez and of Groupe Bruxelles Lambert • Chairman of the Supervisory Board of Siemens AG, Le Monde SA, and Société Editrice du Monde SA • Chairman of Claude Bernard Participations SAS • Chairman of the Supervisory Board of Le Monde & Partenaires Associés SAS • Within the Saint-Gobain Group, director of Saint-Gobain Corporation • Co-Chairman of Centre Cournot pour la Recherche en Économie and Vice-Chairman of the Supervisory Board of the Fonds de Réserve des Retraites	• Chairman of the Board of Directors of Compagnie de Saint-Gobain • Vice-Chairman of the Board of Directors of BNP Paribas • Director of GDF-Suez and of Groupe Bruxelles Lambert • Chairman of the Supervisory Board of Siemens AG, Le Monde SA, and Société Editrice du Monde SA • Chairman of Claude Bernard Participations SAS • Chairman of the Supervisory Board of Le Monde Partenaires SAS • Within the Saint-Gobain Group, director of Saint-Gobain Corporation and Saint-Gobain Cristaleria • Co-Chairman of Centre Cournot pour la Recherche en Économie and Vice-Chairman of the Supervisory Board of the Fonds de Réserve des Retraites	• Chairman of the Board of Directors of Compagnie de Saint-Gobain • Vice-Chairman of the Board of Directors of BNP Paribas • Director of Gaz de France and of Groupe Bruxelles Lambert • Member of the Supervisory Board of Le Monde SA, and Société Editrice du Monde SA • Chairman of Claude Bernard Participations SAS • .Member of the Supervisory Board of Le Monde Partenaires SAS • Within the Saint-Gobain Group, permanent representative of the Company on the Board of Directors of Saint-Gobain PAM, director of Saint-Gobain Corporation and Saint-Gobain Cristaleria • Co-Chairman of Centre Cournot pour la Recherche en Économie and Vice-Chairman of the Supervisory Board of the Fonds de Réserve des Retraites
Isabelle BOUILLOT Chairman of China Equity Links	• Chairman of China Equity Links • Director of Umicore • Managing Partner of IB Finance • Director of Dexia	• Chairman of China Equity Links • Director of Umicore • Managing Partner of IB Finance • Director of Dexia	• Chairman of China Equity Links • Director of Accor and Umicore • Managing Partner of IB Finance • Observer on the Board of Directors of Dexia	• Chairman of China Equity Links • Director of Accor and Umicore • Managing Partner of IB Finance	• Chairman of China Equity Links • Director of Accor and Umicore • Managing Partner of IB Finance
Pierre-André de CHALENDAR Chairman & Chief Executive Officer of Compagnie de Saint-Gobain	• Chairman & Chief Executive Officer of Compagnie de Saint-Gobain • Director of Veolia Environnement • Within the Saint-Gobain Group, director of Saint-Gobain Corporation and of GIE SGPM Recherche, Chairman of the Board of Directors of Verallia	• Chief Executive Officer of Compagnie de Saint-Gobain • Within the Saint-Gobain Group, director of Saint-Gobain Corporation and of GIE SGPM Recherche	• Chief Executive Officer of Compagnie de Saint-Gobain • Within the Saint-Gobain Group, director of Saint-Gobain Corporation and of GIE SGPM Recherche	• Chief Executive Officer of Compagnie de Saint-Gobain • Within the Saint-Gobain Group, director of Saint-Gobain Corporation and of SG Distribution Nordic AB	• Chief Operating Officer then Chief Executive Officer of Compagnie de Saint-Gobain • Within the Saint-Gobain Group, director of Saint-Gobain Corporation and of SG Distribution Nordic AB

Director's name and current main position (as of February 1, 2012)	2011	2010	2009	2008	2007
Gerhard CROMME Chairman of the Supervisory Board of ThyssenKrupp AG	• Chairman of the Supervisory Board of ThyssenKrupp AG • Member of the Supervisory Board of Allianz SE and Axel-Springer AG • Chairman of the Supervisory Board of Siemens AG	• Chairman of the Supervisory Board of ThyssenKrupp AG • Member of the Supervisory Board of Allianz SE and Axel-Springer AG • Chairman of the Supervisory Board of Siemens AG	• Chairman of the Supervisory Board of ThyssenKrupp AG • Member of the Supervisory Board of Allianz SE and Axel-Springer AG • Chairman of the Supervisory Board of Siemens AG	• Chairman of the Supervisory Board of ThyssenKrupp AG • Member of the Supervisory Board of Allianz SE and Axel-Springer AG • Chairman of the Supervisory Board of Siemens AG	• Chairman of the Supervisory Board of ThyssenKrupp AG • Member of the Supervisory Board of Allianz AG, Axel-Springer AG, Deutsche Lufthansa AG, E.ON AG, Hochtief AG, Siemens AG and Volkswagen AG • Director of BNP Paribas SA and Suez SA
Jean-Martin FOLZ Chairman of the Board of Directors of Eutelsat	• Director of Société Générale, Alstom, Axa, Carrefour and Solvay • Member of the Supervisory Board of ONF Participations SAS	• Chairman of AFEP • Director of Société Générale, Alstom, Carrefour and Solvay • Member of the Supervisory Board of Axa and of ONF Participations SAS	• Chairman of AFEP • Director of Société Générale, Alstom and Solvay • Member of the Supervisory Board of Axa and of Carrefour	• Chairman of AFEP • Director of Société Générale, Alstom, Carrefour and Solvay • Member of the Supervisory Board of Axa	• Chairman of the Managing Board of Peugeot SA • Chairman of the Board of Directors of Automobiles Peugeot and of Automobiles Citroën • Director of Solvay, Banque PSA Finance, Peugeot Citroën Automobiles and Faurecia
Bernard GAUTIER Member of the Management Board of Wendel	• Member of the Management Board of Wendel • Chairman of Winvest International SA SICAR • Chairman of the Management Advisory Board of Winvest Conseil • Legal Manager of Materis Parent • Director of Communication Media Partner, Stahl Holdings BV, Stahl Group SA, Stahl Lux2, Stichting Administratickantor II, Stahl Groep II, Trief Corporation, Wendel Japan KK, Winvest Part BV • Member of the Management Committee of Deutsch Group SAS	• Member of the Management Board of Wendel • Chairman of Winvest International SA SICAR • Chairman of the Management Advisory Board of Winvest Conseil • Chairman of the Supervisory Board of Legron BV and Materis Parent • Director of Communication Media Partner, Stahl Holdings BV and Group BV, Trief Corporation, Wendel Japan KK • Chairman of the Supervisory Board of Altineis • Legal Manager of BG Invest, BJPG Conseil, SCI La République, La Cabane Saint-Gautier, BJPG Participations, BJPG Assets, Sweet Investment Ltd	• Member of the Management Board of Wendel • Chairman of Winvest International SA SICAR • Chairman of the Management Advisory Board of Winvest Conseil • Director of Communication Media Partner, Stahl Holdings BV and Group BV, Trief Corporation, Wendel Japan KK • Member of the Management Committee of Deutsch Group SAS • Chairman of the Supervisory Board of Altineis (SCIP) • Legal Manager of BG Invest, BJPG Conseil, SCI La République, La Cabane Saint-Gautier, BJPG Participations, BJPG Assets, Sweet Investment Ltd	• Member of the Management Board of Wendel • Vice-Chairman of the Supervisory Board of Editis Holding • Director of Communication Media Partner, Stahl Holdings BV and Group BV, Winvest International SA SICAR • Legal Manager of Winvest Conseil • Member of the Supervisory Board of Altineis, Altineis 2, Altineis 3 • Legal Manager of BG Invest, BJPG Conseil, SCI La République, La Cabane Saint-Gautier	
Anne-Marie IDRAC Consultant	• Director of Mediobanca S.p.A. • Member of the Supervisory Board of Vallourec				

Director's name and current main position (as of February 1, 2012)	2011	2010	2009	2008	2007
Sylvia JAY Chairman of L'Oréal UK & Ireland	• Chairman of L'Oréal UK & Ireland • Director of Alcatel Lucent and Lazard Limited • Chairman of the Pilgrim Trust • Trustee of the Entente Cordiale Scholarship Scheme, the Prison Reform Trust and The Body Shop Foundation.	• Vice Chairman of L'Oréal UK • Director of Alcatel Lucent and Lazard Limited • Chairman of the Pilgrim Trust • Trustee of the Entente Cordiale Scholarship Scheme, the Prison Reform Trust and The Body Shop Foundation.	• Vice Chairman of L'Oréal UK • Director of Alcatel Lucent and Lazard Limited • Chairman of the Pilgrim Trust and Food from Britain • Trustee of the Entente Cordiale Scholarship Scheme, the Prison Reform Trust and The Body Shop Foundation	• Vice Chairman of L'Oréal UK • Director of Alcatel Lucent and Lazard Limited • Chairman of the Pilgrim Trust and Food from Britain • Trustee of the Entente Cordiale Scholarship Scheme, the Prison Reform Trust and The Body Shop Foundation	• Vice Chairman of L'Oréal UK • Director of Alcatel Lucent and Lazard Limited • Chairman of the Pilgrim Trust and Food from Britain • Trustee of the Entente Cordiale Scholarship Scheme, the Prison Reform Trust and The Body Shop Foundation
Frédéric LEMOINE Chairman of the Management Board of Wendel	• Chairman of the Management Board of Wendel • Chairman of the Supervisory Board of Oranje-Nassau Groep BV • Chairman of the Board of Directors of Trief Corporation • Vice-Chairman of the Board of Directors of Bureau Véritas • Director of Flamel Technologies, Groupama and Legrand • Chairman of Winbond SAS	• Chairman of the Management Board of Wendel • Chairman of the Supervisory Board of Oranje-Nassau Groep BV • Chairman of the Board of Directors of Trief Corporation • Vice-Chairman of the Board of Directors of Bureau Véritas • Director of Flamel Technologies, Groupama and Legrand • Chairman of Winbond SAS	• Chairman of the Management Board of Wendel • Chairman of the Supervisory Board of Oranje-Nassau Groep BV • Chairman of the Board of Directors of Trief Corporation • Vice-Chairman of the Board of Directors of Bureau Véritas • Director of Flamel Technologies, Groupama and Legrand • Chairman of Winbond SAS		
Gérard MESTRALLET Chairman & Chief Executive Officer of GDF Suez	• Chairman & Chief Executive Officer of GDF Suez • Chairman of the Supervisory Board of Axa, and director of Pargesa Holding SA • Chairman of the Board of Directors of GDF Suez Energie Services, Suez Environment Company, GDF Suez Belgium, Hisusa (Spain) • Vice-Chairman of Electrabel and Sociedad General de Aguas de Barcelona	• Chairman & Chief Executive Officer of GDF Suez • Chairman of the Supervisory Board of Axa, and director of Pargesa Holding SA • Chairman of the Board of Directors of GDF Suez Energie Services, Suez Environment Company, Suez-Tractebel (Belgium), Hisusa (Spain) • Vice-Chairman of Electrabel and Sociedad General de Aguas de Barcelona	• Chairman & Chief Executive Officer of GDF Suez • Chairman of the Supervisory Board of Axa, and director of Pargesa Holding SA • Chairman of the Board of Directors of GDF Suez Energie Services, Hisusa, Suez Environment Company • Vice-Chairman of Hisusa and Sociedad General de Aguas de Barcelona • Chairman of the Board of Directors of Suez Tractebel	• Chairman & Chief Executive Officer of GDF Suez • Chairman of the Supervisory Board of Axa, and director of Pargesa Holding SA • Chairman of the Board of Directors of Suez-Tractebel, Suez Environment Company, Electrabel, Suez Energie Services and Hisusa • Vice-Chairman of Sociedad General de Aguas de Barcelona	• Chairman & Chief Executive Officer of Suez • Chairman of the Supervisory Board of Axa, and director of Pargesa Holding SA • Chairman of the Board of Directors of GDF-Tractebel, Suez Environment Company, Electrabel, Suez Energie Services, Hisusa and Houlival • Vice-Chairman of Sociedad General de Aguas de Barcelona

Director's name and current main position (as of February 1, 2012)	2011	2010	2009	2008	2007
Michel PEBEREAU Honorary Chairman of BNP Paribas	• Chairman of the Board of Directors of BNP Paribas • Director of Axa, Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Suisse • Member of the Supervisory Board of Banque Marocaine pour le Commerce et l'Industrie • Non-voting director of Galeries Lafayette • Chairman of the European Financial Round Table, the Investment Banking Commission of the Fédération Bancaire Française, the management Board of the Institut d'Etudes Politiques de Paris • Member of the Académie des Sciences Morales et Politiques, the Haut Conseil de l'Education, the Executive Council of the MEDEF, the Institut International d'Etudes Bancaires, the International Advisory Panel of the Monetary Authority of Singapore, and the International Business Leaders' Advisory Council for the Mayor of Shanghai	• Chairman of the Board of Directors of BNP Paribas • Director of Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Suisse • Member of the Supervisory Board of Axa and Banque Marocaine pour le Commerce et l'Industrie • Non-voting director of Galeries Lafayette • Chairman of the Investment Banking Commission of the Fédération Bancaire Française • Chairman of Institut de l'Entreprise, • Chairman of the Management Board of Institut d'Études Politiques de Paris • Chairman of the Supervisory Board of Institut Aspen France • Member of the Académie des Sciences Morales et Politiques, the Haut Conseil de l'Education, the Executive Council of the MEDEF, the Institut International d'Etudes Bancaires, the European Financial Round Table, the International Advisory Panel of the Monetary Reserve Bank of Singapore and the International Business Leaders' Advisory Council for the Mayor of Shanghai	• Chairman of the Board of Directors of BNP Paribas • Director of Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Suisse • Member of the Supervisory Board of Axa and Banque Marocaine pour le Commerce et l'Industrie • Non-voting director of Galeries Lafayette • Chairman of the Investment Banking Commission of the Fédération Bancaire Française • Chairman of Institut de l'Entreprise, • Chairman of the Management Board of Institut d'Études Politiques de Paris • Chairman of the Supervisory Board of Institut Aspen France • Member of the Académie des Sciences Morales et Politiques, the Haut Conseil de l'Education, the Executive Council of the MEDEF, the Institut International d'Etudes Bancaires, the European Financial Round Table, the International Advisory Panel of the Monetary Reserve Bank of Singapore and the International Business Leaders' Advisory Council for the Mayor of Shanghai	• Chairman of the Board of Directors of BNP Paribas • Director of Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Suisse • Member of the Supervisory Board of Axa and Banque Marocaine pour le Commerce et l'Industrie • Non-voting director of Galeries Lafayette • Chairman of the Fédération Bancaire Européenne, the Investment Banking Commission of the Fédération Bancaire Française, Institut de l'Entreprise, Institut International d'Etudes Bancaires, the Management Board of Institut d'Études Politiques de Paris and the Supervisory Board of Institut Aspen France • Member of the Académie des Sciences Morales et Politiques, the Haut Conseil de l'Education, the Executive Council of the MEDEF, the European Financial Round Table, the International Advisory Panel of the Federal Reserve Bank of Singapore and of the International Business Leaders' Advisory Council for the Mayor of Shanghai	• Chairman of the Board of Directors of BNP Paribas • Director of Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Suisse • Member of the Supervisory Board of Axa and Banque Marocaine pour le Commerce et l'Industrie • Non-voting director of Galeries Lafayette • Chairman of the Fédération Bancaire Européenne, the Investment Banking Commission of the Fédération Bancaire Française, Institut de l'Entreprise, Institut International d'Etudes Bancaires, the Management Board of Institut d'Études Politiques de Paris and the Supervisory Board of Institut Aspen France • Member of the Haut Conseil de l'Education, the Executive Council of the MEDEF, the International Advisory Panel of the Monetary Authority of Singapore, the International Capital Markets Advisory Committee of the Federal Reserve Bank of Singapore and the International Business Leaders' Advisory Council for the Mayor of Shanghai
Jacques PESTRE Senior Vice-President of Point.P Group	• Senior Vice-President of Point.P • Chairman of the Board of Directors, Chairman and Chief Executive Officer or director of the following Saint-Gobain Building Distribution companies: BMRA, Comasud, Cibomat, Dépôt Services Carrelages, La Plateforme, Boch Frères, Thuon, Distribution Aménagement et Isolation, Asturienne • Chairman of the Supervisory Board of the Saint-Gobain PEG France corporate mutual fund (Saint-Gobain Group savings plan)				
Olivia QIU Global Head of Strategic Industries Alcatel-Lucent	• Global Head of Strategic Industries Alcatel-Lucent				

Director's name and current main position (as of February 1, 2012)	2011	2010	2009	2008	2007
Denis RANQUE Chairman of the Board of Directors of Technicolor	• Chairman of the Board of Directors of Technicolor • Chairman of the Board of Directors of Seilab Entreprises • Director of CMA-CGM and CGG Veritas • Chairman of the Board of Directors of Mines Paris Tech, Cercle de l'Industrie and Association Nationale Recherche et Technologie	• Director of Technicolor • Chairman of the Board of Directors of Mines Paris Tech, Cercle de l'Industrie and Association Nationale de la Recherche et de la Technologie • Director of CMA-CGM	• Chairman & Chief Executive Officer of Thales • Chairman of the Board of Directors of Ecole Nationale Supérieure des Mines de Paris and Cercle de l'Industrie • First Vice-President of GIFAS • Director of Fondation de l'Ecole Polytechnique • Director of CMA-CGM	• Chairman & Chief Executive Officer of Thales • Chairman of the Board of Directors of Ecole Nationale Supérieure des Mines de Paris and Cercle de l'Industrie • First Vice-President of GIFAS • Director of Fondation de l'Ecole Polytechnique	• Chairman & Chief Executive Officer of Thales • Chairman of the Board of Directors of Ecole Nationale Supérieure des Mines de Paris and Cercle de l'Industrie • First Vice-President du GIFAS • Director of Fondation de l'Ecole Polytechnique
Gilles SCHNEPP Chairman & Chief Executive Officer of Legrand	• Chairman & Chief Executive Officer of Legrand • Chairman of the Board of Directors, Chairman of the Supervisory Board or director of Legrand group subsidiaries	• Chairman & Chief Executive Officer of Legrand France • Chairman of the Board of Directors/ Supervisory Board of Legrand group subsidiaries	• Chairman & Chief Executive Officer of Legrand France • Chairman, member or permanent representative on the Board of Directors and/or Supervisory Boards of various Legrand group subsidiaries		
Jean-Cyril SPINETTA Chairman & Chief Executive Officer of Air France-KLM	• Chairman of the Board of Directors of Air France and Air France-KLM • Chairman & Chief Executive Officer of Air France • Chairman of the Supervisory Board of Areva • Director of Alcatel Lucent	• Chairman of the Board of Directors of Air France-KLM • Chairman of the Supervisory Board of Areva • Director of Alcatel Lucent	• Chairman of the Board of Directors of Air France-KLM • Chairman of the Supervisory Board of Areva • Director of Alcatel Lucent and La Poste	• Chairman & Chief Executive Officer of Air France-KLM • Chairman & Chief Executive Officer of Groupe Air France • Director of Alcatel Lucent and La Poste	• Chairman & Chief Executive Officer of Air France-KLM • Chairman & Chief Executive Officer of Groupe Air France • Director of Unilever and Alcatel Lucent

To the best of the Company's knowledge, as of the date of this registration document, there are no family relationships between the Company's directors and, in the last five years, no director has been found guilty of fraud, been associated with a bankruptcy, sequestration or liquidation, been incriminated by or subject to an official public sanction issued by a statutory or regulatory authority, or been prevented by a court from acting as a member of an administrative, management or supervisory body of an issuer of securities or from taking part in managing or conducting an issuer's business.

To the best of the Company's knowledge, there are no conflicts of interest between Compagnie de Saint-Gobain and the personal and professional activities of the members of its Board of Directors and there are no service contracts between any members of the Board and either Compagnie de Saint-Gobain or any of its subsidiaries.

Board organization and practices

At its meeting on June 3, 2010, the Board of Directors of Compagnie de Saint-Gobain decided to recombine the functions of Chairman and Chief Executive Officer by appointing Pierre-André de Chalendar as Chairman and Chief Executive Officer and naming Jean-Louis Beffa as Honorary Chairman, effective from the date of the meeting. The roles of Chairman and Chief Executive Officer were separated in June 2007 to ensure a smooth handover of powers from Jean-Louis Beffa – then reaching the age limit for the position of Chief Executive Officer – and Pierre-André de Chalendar. The decision to combine the two roles once again was in line with the Group's longstanding management tradition.

In line with the guidelines in the AFEP-MEDEF corporate governance code, the Board of Directors adopted a set of internal rules in 2003.

The **Internal Rules of the Board of Directors** in effect as of December 31, 2011 describe the Board's organization and practices. They can be summarized as follows:

- *Board meetings.* The Board holds seven scheduled meetings each year, including one at a different Group site each year. Directors may participate in meetings using videoconference or other interactive telecommunication technologies, to the extent permitted by law.

- *Information for directors.* Prior to each meeting, the directors are provided with an analysis of year-to-date operating profit and net debt, selected financial analyses and press cuttings, as well as with copies of the presentations to be made during the meeting. The information file for the meeting to approve the annual financial statements also includes the draft annual report, consolidated financial statements and financial statements of the Company. Between meetings, the directors receive copies of all press releases issued by the Group along with relevant information about material transactions carried out by the Group. The directors have the right to ask for any and all other documents that they consider necessary to make an informed contribution to the Board's discussions and to meet senior executives of the Group without any executive directors being present, after notifying the Chairman of the Board and the Chief Executive Officer.
- *Board activities.* The Board examines all issues that fall within its remit as specified in the applicable laws and regulations and the Company's bylaws. In addition, a meeting is held at least once a year to review and decide on the Group's overall strategy. All capital expenditure, restructuring, acquisition and financial investment and divestment projects individually representing over €150 million must be submitted to the Board for prior approval, along with any material transactions that fall outside the Group's stated strategy. The Board's practices are reviewed during at least one meeting each year and formal assessments of its organization and practices are conducted periodically with the guidance of the Appointments Committee. Every year, the Board also reviews each director's situation in relation to the independence criteria set out in the AFEP-MEDEF corporate governance code for listed companies, based on a report prepared by the Appointments Committee. Lastly, one meeting may be held without the executive directors being present, to allow the non-executive directors to assess their performance and consider the Group's future senior management line-up.
- *Committees of the Board.* Three committees of the Board – the Financial Statements Committee, the Appointments Committee and the Strategy Committee (which was set up in June 2008) – prepare presentations of the issues submitted to the Board in their respective areas. These committees, whose members are appointed by the Board, may commission technical reports by outside experts – the costs of which are paid by Compagnie de Saint-Gobain – and consult Group executives after notifying the Chairman and Chief Executive Officer. The Board's internal rules also cover the duties and practices of the three committees of the Board. A description of their duties is provided below in the sections on each committee.
- *Directors' obligations and duties.* Under French securities regulations, directors are qualified as permanent insiders and as such are required to comply with the laws and regulations concerning insider trading. Directors are also prohibited from trading directly or indirectly in Compagnie de Saint-Gobain's shares or in derivative instruments that have the Compagnie de Saint-Gobain's shares as the underlying, during the 45 days preceding the Board meetings at which the annual and interim consolidated financial statements are reviewed and the day after these meetings (referred to as "negative windows") (1).

As well as complying with the duty of discretion imposed by law, directors are required to treat as strictly confidential all documents and information submitted to the Board and all matters discussed during Board meetings, for as long as they have not been made public.

Directors must also avoid any actual or potential conflicts of interest, whether direct or indirect. However, if any such conflicts of interest should arise, they must inform the Chairman and Chief Executive Officer and refrain from participating in discussions and votes on the topics concerned.

In accordance with French securities legislation, directors must disclose to the Autorité des Marchés Financiers details of all of their transactions in Compagnie de Saint-Gobain shares.

- *Attendance fees.* The Board's internal rules also specify the basis on which attendance fees are to be allocated among the directors. For further information, see page 80.
- *Other provisions of the internal rules.* The internal rules also allow for directors to receive additional training about the Group's businesses and the accounting, financial and operational aspects of its activities. They also stipulate that directors must attend General Meetings of shareholders.

Board assessments

In accordance with the Board's internal rules, assessments of its performance are carried out at regular intervals. These assessments are conducted with the assistance of outside consultants every three years (2) and by the Appointments Committee in intermediate years, based on a questionnaire sent to each director by the Committee Chairman.

A new assessment was organized by the Appointments Committee in March 2011 and the results were reported to the Board of Directors on May 19, 2011.

The average score for most of the 21 questions was between 4 and 5 – corresponding to "Good" and "Excellent" – and all respondents considered that Board practices had improved since the last assessment.

(1) The ban on trading in the Company's shares during these negative windows also applies to senior executives and other employees with access to inside information.
(2) 2000 Annual Report, page 55, 2003 Annual Report, page 26, 2006 Annual Report, page 26, and 2010 Annual Report, page 74.

Board meetings

The Board of Directors met ten times in 2011, with an average attendance rate of 88%.

Committees of the Board

Financial Statements Committee

Michel Pébereau, Chairman
Isabelle Bouillot
Jean-Martin Folz
Frédéric Lemoine
Denis Ranque

The Committee does not comprise any executive directors and 60% of its members are independent. Each Committee member has specific skills in financial and accounting matters.

Based on the Board of Directors' internal rules in force in 2011, the Financial Statements Committee:

- oversees:
  - the processes used to prepare financial information,
  - the effectiveness of internal control and risk management systems,
  - the work performed by the auditors on the financial statements of the Company and the Group,
  - the independence of the auditors, although the related decision-making powers remain vested in the Board of Directors as a whole;
- ensures that any questions relating to the preparation and control of accounting and financial information are followed up, and the accounting policies used to prepare the financial statements are both appropriate and applied consistently from one period to the next, and that the internal procedures used to collect and control accounting and financial information provide the necessary assurance in this regard;
- reviews the interim and annual consolidated financial statements and the annual financial statements of the Company as presented by senior management prior to their examination by the Board of Directors;
- reviews the scope of consolidation and the reasons why any companies have been excluded;
- reviews material risks and off-balance sheet commitments, based on an explanatory report drawn up by the Chief Financial Officer;
- receives updates from senior management on the organization and operation of the risk management system;
- reviews the Group's internal control action plan and receives updates at least once a year on the plan's result;
- makes recommendations concerning the organization of the internal audit function and receives a copy of the internal audit program as well as executive summaries of the internal audit reports;
- reviews the external auditors' work plan and conclusions as well as the post-audit report prepared by the auditors concerning their main observations and the accounting options selected for the preparation of the financial statements;
- conducts the auditor selection process, issues an opinion on the proposed statutory audit fee budget, submits the results of the selection process to the Board and puts forward candidates to be appointed by the shareholders;
- reviews the advisory and other services that the auditors and the members of their network are authorized to provide to Compagnie de Saint-Gobain and other Group entities under auditor independence rules;
- obtains from the auditors the breakdown of the fees paid to them and to the members of their network by the Group over the past year, by category of service, and reports to the Board its opinion concerning the auditors' independence.

The Financial Statements Committee met four times in 2011, with an attendance rate of 100%. Two of these meetings, held in February and July, were devoted to reviewing in detail the financial statements of the Company and Group for the year ended December 31, 2010 and the six months ended June 30, 2011 and discussing these accounts with the Chief Executive Officer, the Chief Financial Officer and the auditors.

At both of these meetings, the Committee discussed with the auditors the main audit issues raised with the Finance Department during the accounts closing process, particularly the key risk exposures and material off-balance sheet commitments described in the Chief Financial Officer's explanatory report to the Committee.

During the year the Committee received regular updates of the situation concerning asbestos litigation in the United States. It discussed in detail with the auditors the financial and accounting consequences of this litigation for the American subsidiaries and the Group, in order to present a report on this issue to the Board at subsequent meetings.

The Committee also obtained information from each of the auditors concerning the amount of fees paid to them by Group companies in 2010 for statutory audit work and other services. The auditors' fees for 2010 and 2011 are presented on page 86. A procedure issued in 2003 clearly defines the services that may be provided by the Group's auditors and the members of their networks, and the services that are prohibited.

In 2011, the Committee also reviewed the draft report of the Chairman on internal control and risk management, the Group's internal control framework, a report prepared by the auditors on cash management transactions, the Internal Audit and Internal Control department's activity report for 2010, its 2011 audit program and its report on major fraud incidents, and the activity report of the Doctrine Department.

During the year, the Committee held one-to-one discussions with the auditors, the Vice-President – Financial Management, the Vice-President – Treasury, Financing, Risks & Insurance, the Senior Vice-President in charge of Internal Audit & Internal Control, and the Chief Financial Officer, in accordance with the recommendations of the AFEP-MEDEF corporate governance code for listed companies.

Lastly, one meeting was devoted to reviewing a description of the Group's risk management processes, which was subsequently presented to the Board of Directors.

The Financial Statements Committee reported to the Board on its activities during the Board meetings of February 24, July 28, September 22 and November 24, 2011.

Appointments Committee

Jean-Martin FOLZ, Chairman
Bernard GAUTIER
Sylvia JAY
Jean-Cyril SPINETTA

Three members of the Committee, including the Chairman, are independent directors (see pages 66 and 67).

The Appointments Committee fulfills the duties of both a remunerations committee and a nominations committee provided for in the AFEP-MEDEF corporate governance code for listed companies.

The Committee's remit, as defined in the Board of Directors' internal rules in force in 2011, is to:

- make proposals to the Board in all cases where one or more seats on the Board fall vacant or the terms of one or more directors are due to expire. The Committee organizes the procedure to select candidates for election as independent directors, based on the independence criteria set out in the AFEP-MEDEF corporate governance code for listed companies;
- review annually each director's situation in relation to the independence criteria set out in the AFEP-MEDEF code, and report its conclusions to the Board;
- recommend candidates to the Board in the event that the position of Chairman of the Board falls vacant for whatever reason;
- review proposals by the Chairman of the Board for the appointment of a Chief Executive Officer and/or one or more Chief Operating Officers, and report its conclusions to the Board;
- make recommendations to the Board concerning the Chairman's compensation package, including pension benefits, and the criteria to be applied to determine his variable compensation, as well as the other aspects of his position;
- make recommendations on the same issues for the Chief Executive Officer and/or the Chief Operating Officer(s);
- discuss the Group's overall stock option policy and whether the options should be exercisable for new or existing shares, and review senior management's proposals concerning stock option plans for Group employees;
- make recommendations concerning stock option grants to the Chairman of the Board and the members of senior management;
- the Committee also makes presentations to support the Board's consideration of corporate governance issues and leads periodic assessments of the Board's organization and practices.

The Appointments Committee met four times in 2011, with an attendance rate of 94%. During the year:

The Committee made recommendations to the Board on Pierre-André de Chalendar's performance bonus for 2010, as well as on the amount of his fixed compensation for 2011 and the performance criteria to be applied to determine his 2011 bonus (see page 79).

It reviewed the issues arising from the fact that the terms of four directors were due to expire at the Annual General Meeting of June 9, 2011 and from the resignation from the Board of Yuko Harayama, who stood down on September 1, 2010. The Committee recommended that the Board ask shareholders to elect Anne-Marie Idrac, Jacques Pestre and Olivia Qiu as directors and to re-elect Gérard Mestrallet and Denis Ranque.

The Committee also reviewed (i) the performance stock option and/or performance share plans [1] to be recommended to the Board, (ii) the plan terms submitted for its consideration, and (iii) appropriate performance and other vesting conditions for the plans, and issued its recommendations to the Board.

Other matters discussed by the Committee included the upcoming expiration of the terms of certain directors, at the close of the 2012 Annual General Meeting.

The Appointments Committee reported to the Board on its activities during the Board meetings of February 24, March 24, September 22 and November 24, 2011.

(1) The Group's stock option policy and the characteristics of the current stock option and performance share plans are presented on pages 63 to 64.

Strategy Committee

Jean-Cyril SPINETTA, Chairman
Pierre-André de CHALENDAR
Frédéric LEMOINE

The Strategy Committee is chaired by an independent director.

In accordance with the Board of Directors' internal rules in force in 2011, the Strategy Committee – which meets six times a year – is responsible for examining and identifying improvements to the Group's business plan as well as reviewing any strategic issues proposed by its members.

The Strategy Committee met six times in 2011, with an attendance rate of 100%.

During these meetings, the Committee discussed the 2011 budget, the Group's withdrawal from the Packaging sector, operations in Eastern Europe and Russia, the 2012-2016 business plan, the strategies of the various Sectors and the Group, and human resources within the Group.

The Strategy Committee reported to the Board on its activities during the Board meetings of February 24, March 24, May 19, September 22 and November 17, 2011.

Directors' Compensation

At the Annual General Meeting of June 8, 2006, shareholders set the annual amount of attendance fees payable to directors at €800,000.

On March 19, 2009, the Board decided to allocate this amount as follows, for 2009 and subsequent years:

- the Chairman and Chief Executive Officer does not receive any attendance fees;
- the other directors each receive a fixed amount of €22,500 per year and €3,000 for each Board meeting attended during the year;
- in addition, the Chairmen and members of the Financial Statements Committee, the Appointments Committee and the Strategy Committee (excluding Pierre-André de Chalendar) each receive a fixed amount of €5,000 and €2,500 per year, respectively, and €2,000 for each Committee meeting attended during the year;
- for directors who are elected or retire/resign from the Board during the year, the fixed fee is prorated to the actual period served;
- the fees are paid in two half-yearly installments in arrears, with any balance available from the annual amount distributed at the beginning of the next year based on each director's attendance rate at the prior year's Board meetings.

The total fixed and variable fees paid to each individual director in respect of 2011 are shown in table 3 below.

Compensation and benefits of the Chairman and Chief Executive Officer

The principles and rules governing the compensation and benefits of the Chairman and Chief Executive Officer for 2011, as decided by the Board, were as follows:

- Pierre-André de Chalendar's compensation as Chief Executive Officer for 2011 comprised an annual fixed salary of €1,100,000 (unchanged) and a variable bonus of up to 1.5 times salary. Sixty percent of the bonus was based on four indicators – the Group's return on capital employed (ROCE), operating income, net earnings per share and operating free cash flow – each counting for one-quarter of the total. The remaining 40% was based on the following qualitative objectives: i) implementing Board decisions concerning the divestment of the Packaging business; (ii) accelerating the pace of business growth in line with the strategic plan presented to investors in November 2010; (iii) responding swiftly to changes in raw materials and energy costs; (iv) ensuring that senior management work together effectively as a close-knit team; and (v) establishing senior management succession plans;
- details of the compensation paid to the Chairman and Chief Executive Officer are provided in tables 1 and 2 below;
- concerning benefits awarded to executive directors whose disclosure is required by law, at the Annual General Meeting of June 3, 2010, shareholders approved the Board's decision to modify the commitment previously given to Pierre-André de Chalendar in his capacity as Chief Executive Officer, as follows:
  - compensation for loss of office will be paid to Pierre-André de Chalendar if and only if:

a) he is removed from office or his appointment as Chief Executive Officer is not renewed other than as a result of gross or willful misconduct or serious misconduct not related to his duties as Chief Executive Officer, or

b) he is forced to resign within the twelve months following the date of approval by the shareholders of a merger or demerger affecting Compagnie de Saint-Gobain, or the date on which a third party or group of third parties acquires control of the Company, or the announcement by Compagnie de Saint-Gobain's management bodies of a significant shift in the Group's strategy leading to a major change in its business;

– in the event of termination of his duties as Chief Executive Officer in the circumstances described above, Pierre-André de Chalendar will be entitled to compensation for loss of office of up to two times the sum of his most recent annual fixed compensation as Chief Executive Officer on the day of said termination plus his average annual bonus as Chief Executive Officer for the last three years (or, if he has been Chief Executive Officer for less than three years, for the number of full years that have elapsed since his appointment as Chief Executive Officer).

Payment of the compensation for loss of office will be subject to fulfillment of a performance condition evidenced by the Board of Directors' decision to award him an average bonus at least equal to one half of the average maximum bonus for the last three years (or, if he has been Chief Executive Officer for less than three years, for the number of full years that have elapsed since his appointment as Chief Executive Officer).

No compensation for loss of office will be due if Pierre-André de Chalendar leaves Compagnie de Saint-Gobain (i) at his own initiative in circumstances other than those described above, or (ii) in one of the circumstances described above, if he would have been eligible to retire during the previous twelve months and to receive a pension under the SGPM defined benefit plan.

– Shareholders at the Annual General Meeting of June 3, 2010 also ratified the Board's decision according to which, in the event of termination of Pierre-André de Chalendar's duties as Chief Executive Officer in circumstances qualifying him for compensation for loss of office, the Board of Directors may decide, on the recommendation of the Appointments Committee, to maintain or to cancel his rights to all or some of the Saint-Gobain stock options and performance shares granted to him up to the termination date that have not yet expired or have not yet been delivered, as applicable, provided that the performance conditions specified in the plan rules have been fulfilled.

– As Chief Executive Officer, Pierre-André de Chalendar will continue to be fully covered by the SGPM defined benefit pension plan , in the same way as all other plan participants [1].

Shareholders also:

– authorized the signature of a non-compete agreement in which Pierre-André de Chalendar has given an irrevocable undertaking not to participate in, acquire or hold any interest in any competitor (as defined in the agreement) of Compagnie de Saint-Gobain or any Saint-Gobain Group company during a period of one year from the date on which his functions as Chief Executive Officer are terminated in circumstances qualifying him for compensation for loss of office. The indemnity that would be payable to Pierre-André de Chalendar under the non-compete agreement is set at the equivalent of one year's total gross compensation. For the purpose of this agreement, his gross annual compensation is considered as comprising the same fixed and variable amounts used to calculate his compensation for loss of office referred to above. Under no circumstances will the sum of the indemnity under the non-compete agreement and the compensation for loss of office exceed two times Mr. de Chalendar's total gross annual compensation;

– authorized the signature of addenda to the URPIMMEC group death, disability and health insurance policy in which the persons covered by the policy and riders are defined as employees with an employment contract and executive directors (*mandataires sociaux assimilés aux salariés*) as defined in Article L.311-3 12° of France's Social Security Code.

- Pierre-André de Chalendar tendered his resignation under his employment contract on June 3, 2010.
- He had the use of a chauffeur-driven company car in 2011.
- Pierre-André de Chalendar does not receive any directors' attendance fees from Compagnie de Saint-Gobain or from any Saint-Gobain subsidiary.

(1) The SGPM pension plan covers all employees who joined Compagnie de Saint-Gobain before January 1, 1994 and who retire at 60 or over on a full pension under the compulsory government-sponsored schemes after contributing to the SGPM plan for at least 15 years. Benefits under the plan are determined so that retirees receive a guaranteed total income in retirement. The guaranteed amount depends on the retiree's years of service (up to 35 years), and is determined on a declining scale for each tranche of gross annual compensation excluding exceptional or temporary payments. Benefits received by the retiree under other basic and supplementary pension plans during the period are deducted from the guaranteed amount for the purpose of calculating the plan benefits. The seniority-based supplementary pension benefit corresponds to the difference between the total guaranteed income and the deductible benefits. As of December 31, 2010, 168 retired former employees of Compagnie de Saint-Gobain were receiving benefits under the plan and a further 66 active employees would be entitled to benefits on retirement.

1. Total compensation, stock options and performance shares awarded to the Chairman and the Chief Executive Officer

(in euros)	2010	2011
Jean-Louis BEFFA, Chairman of the Board of Directors [1]		
Compensation for the year (see Table 2 for details)	447,907	0
Value of stock options granted during the year (see Table 4 for details)	0	0
Value of performance shares granted during the year (see Table 6 for details)	0	0
TOTAL	447,907	0
Pierre-André de CHALENDAR, Chief Executive Officer [2]		
Compensation for the year (see Table 2 for details)	2,437,696	2,332,265
Value of stock options granted during the year (see Table 4 for details)	561,600	167,000
Value of performance shares granted during the year (see Table 6 for details)	538,200	567,600
TOTAL	3,537,496	3,066,865

(1) For the period from January 1 to June 3, 2010.
(2) For the period from June 4, 2010.

2. Compensation and benefits awarded to the Chairman and the Chief Executive Officer

(in euros)	2010		2011	
Jean-Louis BEFFA Chairman of the Board of Directors [1]	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	261,532	261,532	0	0
Variable bonus	147,671	237,671	0	0
Exceptional bonus	0	0	0	0
Directors' attendance fees	0	(*)	0	(*)
Benefits in kind: - Accommodation - Company car	37,822 882	37,822 882	0	0
TOTAL	447,907	537,907	0	0
Pierre-André de CHALENDAR Chief Executive Officer [2]	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	974,907	974,907	1,102,013	1,102,013
Variable bonus	1,460,137	452,500	1,227,600	1,460,137
Exceptional bonus	0	0	0	0
Directors' attendance fees	0	0	0	0
Benefits in kind: - Accommodation - Company car	2,652	2,652	2,652	2,652
TOTAL	2,437,696	1,430,059	2,332,265	2,564,802

(*) Directors' attendance fees received by Jean-Louis Beffa in respect of the period from June 4 to December 31,2010, and from January 1 to December 31, 2011 are presented in Table 3.
(1) For the period from January 1 to June 3, 2010.
(2) For the period from June 4, 2010.

3. Directors' attendance fees and other compensation received by non-executive directors

Non-executive directors		Gross amounts paid *(in €)* For 2010	For 2011
BEFFA Jean-Louis [(1)]	Directors' attendance fees Pension benefits	27,591 265,976	46,728 570,620
BOUILLOT Isabelle	Directors' attendance fees	56,520	54,169
CHEVRIER Robert	Directors' attendance fees	48,020	15,207
CROMME Gerhard	Directors' attendance fees	44,375	49,255
CUSENIER Bernard	Directors' attendance fees	51,666	27,103
FOLZ Jean-Martin	Directors' attendance fees	64,666	77,788
GAUTIER Bernard	Directors' attendance fees	62,166	59,542
HARAYAMA Yuko [(2)]	Directors' attendance fees	29,563	-
IDRAC Anne-Marie	Directors' attendance fees	-	20,854
JAY Sylvia	Directors' attendance fees	58,520	56,907
LEMOINE Frédéric	Directors' attendance fees	66,166	77,286
MESTRALLET Gérard	Directors' attendance fees	48,020	40,935
PEBEREAU Michel	Directors' attendance fees	55,375	56,772
PESTRE Jacques	Directors' attendance fees	-	23,593
QIU Olivia	Directors' attendance fees	-	20,854
RANQUE Denis	Directors' attendance fees	56,520	54,169
SCHNEPP Gilles	Directors' attendance fees	51,666	49,046
SPINETTA Jean-Cyril	Directors' attendance fees	79,166	69,792
TOTAL DIRECTORS' ATTENDANCE FEES TOTAL OTHER COMPENSATION		800,000 265,976	800,000 570,620

(1) Non-executive director since the Annual General Meeting of June 3, 2010.
(2) Stood down from the Board on September 1, 2010.

None of the non-executive directors received any other compensation from Compagnie de Saint-Gobain or any Saint-Gobain subsidiary for 2010 or 2011.

4. Stock options granted to the Chairman and Chief Executive Officer during the year

Name	Plan date	Options exercisable for new or existing shares	Value (based on method used to prepare the consolidated financial statements)	Number of options granted during the year	Exercise price	Exercise period
Pierre-André de CHALENDAR	Nov. 24, 2011	not specified	167,000	100,000	€31.22	Nov. 25, 2015 to Nov. 23, 2021

The performance and other conditions applicable to these stock options are described on page 63.

5. Options exercised during the year by the Chairman and Chief Executive Officer

Name	Plan date	Options exercisable for new or existing shares	Number of options exercised during the year	Exercise price
Pierre-André de CHALENDAR	Nov. 20, 2003	New shares	20,000	€32.26

6. Performance shares granted to the Chairman and Chief Executive Officer during the year

Name	Plan date	Number of shares granted during the year	Value (based on method used to prepare the consolidated financial statements)	End of vesting period	End of lock-up period	Performance conditions
Pierre-André de CHALENDAR	Nov. 24, 2011	30,000	567,600	March 30, 2014	30/03/2016	(*)

(*) The performance and other conditions applicable to these performance shares are described on page 63.

7. Performance shares granted to the Chairman and the Chief Executive Officer for which the lock-up period ended during the year

	Plan date	Number of shares for which the lock-up period ended during the year	Performance conditions
Jean-Louis BEFFA		0	
Pierre-André de CHALENDAR		0	

8. Historical information about stock option plans

YEAR	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Date of General Meeting	June 28, 2001	June 5, 2003	June 5, 2003	June 9, 2005	June 9, 2005	June 7, 2007	June 7, 2007	June 4, 2009	June 4, 2009	June 4, 2009
Date of Board of Directors' meeting					Feb. 27, 2006					
	Nov. 21, 2002	Nov. 20, 2003	Nov. 18, 2004	Nov. 17, 2005	Nov. 16, 2006	Nov. 22, 2007	Nov. 20, 2008	Nov. 19, 2009	Nov. 18, 2010	Nov. 24, 2011
Total shares under option	3,785,500	3,717,700	3,881,800	3,922,250	4,025,800	3,673,000	3,551,900	1,479,460	1,144,730	482,150
Adjustment to number of shares under option (*)	125,172	282,934	383,963	397,330	420,314	383,133	375,614	N/A	N/A	N/A
Cumulative number of cancelled or forfeited options	80,000	58,500	80,000	248,460	138,460	652,962 (1)	773,932 (2)	0	0	0
Adjusted number of exercisable options	3,830,672	3,942,134	4,185,763	4,071,120	4,307,654	3,403,171	3,153,582	1,479,460	1,144,730	482,150
Of which: options granted to corporate officers						*165,863* (3)	*156,187* (4)	200,000	130,000	100,000
Jean-Louis Beffa						*[55,288]* (3)	*[46,856]* (4)	0	0	0
Pierre-André de Chalendar						[110,575] (3)	[109,331] (4)	200,000	130,000	100,000
Starting date of exercise period	Nov. 22, 2005 or Nov. 22, 2006	Nov. 21, 2006 or Nov. 21, 2007	Nov. 19, 2007 or Nov. 19, 2008	Nov. 18, 2008 or Nov. 18, 2009	Nov. 17, 2009 or Nov. 17, 2010	Nov. 23, 2011	Nov. 21, 2012	Nov. 20, 2013	Nov. 19, 2014	Nov. 25, 2015
Expiry date of exercise period	Nov. 20, 2012	Nov. 19, 2013	Nov. 17, 2014	Nov. 16, 2015	Nov. 15, 2016	Nov. 21, 2017	Nov. 19, /2018	Nov. 18, 2019	Nov. 17, 2020	Nov. 23, 2021
Exercise price (*)	€21.28	€32.26	€39.39	€41.34	€52.52	€64.72	€25.88	€36.34	€35.19	€31.22
Number of shares acquired	2,723,870	1,222,703	230,669	19,939	1,200	0	2,212	400	0	0
Options outstanding at December 31, 2011	1,106,802	2,719,431	3,955,094	4,051,181	4,306,454	3,403,171	3,151,370	1,479,060	1,144,730	482,150

(*) Following the March 23, 2009 capital increase for cash carried out by issuing and allocating stock warrants, the number of options per grantee and the exercise price were adjusted in accordance with the applicable regulations (Article R228-91 of the French Commercial Code) in order to preserve the grantees' rights. The new exercise price was determined by taking into account the number of shares issued per existing share (2 new shares for 7 existing shares), the issue price of the new shares (€14) and the cum rights share price (€24.58), corresponding to the weighted average price for the three trading days preceding the rights issue, i.e. March 18, 19 and 20, 2009.
On this basis, the original exercise price was multiplied by 0.904363 to calculate the new price and the number of options was multiplied by 1.10575 so that the total value of option holders' rights (number of options multiplied by the exercise price) was the same before and after the adjustment.
(1) Including 514,502 options forfeited because the performance condition was not met (performance condition attached to half of the options granted in November 2007 to the 38 members of senior management).
(2) Including 718,644 options forfeited because the performance condition was only partly met (performance condition attached to all the options granted in November 2008 to the Chairman and Chief Executive Officer and half of the options granted in November 2008 to the 176 members of senior management).
(3) After deducting the one half of the options granted that are not exercisable because the related performance condition was not met.
(4) After deduction of the options granted that are not exercisable because the related performance condition was only partly met.

9a. Options granted to the ten employees who received the greatest number of options

	Number of options granted	Unit price
In 2011	209,100	€31.22
In 2010	259,800	€35.19

9b. Options granted to the ten employees who exercised the greatest number of options

	Total number of options exercised	Weighted average exercise price	O/w options granted on Nov. 16, 2000	O/w options granted on Nov. 22, 2001	O/w options granted on Nov. 21, 2002	O/w options granted on Nov. 20, 2003	O/w options granted on Nov. 18, 2004	O/w options granted on Nov. 17, 2005
In 2011	130,174	€33.97		68,116	22,023	14,751	23,444	1,840
In 2010	96,759	€33.86	82,824	5,751	1,991	6,193		

10. Other information about the Chairman and Chief Executive Officer

During 2011	Employment contract (suspended for duration of term)		Supplementary pension plan		Termination benefits		Non-compete indemnity	
	Yes	No	Yes	No	Yes	No	Yes	No
Pierre-André de Chalendar, Chairman and Chief Executive Officer	Terminated on June 3, 2010		X		X		X	

Management Compensation

In Group companies other than Compagnie de Saint-Gobain, attendance fees awarded to directors representing the Group – particularly members of Group senior management – are either transferred to the company that employs them or paid directly to that company. In other companies of which the Group is a shareholder, attendance fees awarded to the Chairman of Saint-Gobain's Board in his capacity as a director of these companies are paid in full to the Company.

The compensation paid to members of senior management is set at a level consistent with compensation packages offered by comparable companies, based on the results of specific surveys commissioned by senior management from specialized consultants.

All members of senior management receive a variable bonus designed to reflect their personal contribution towards the Group's business and earnings growth. Target bonuses are set at an amount that is reasonable in relation to the overall compensation package.

The principle of performance-related pay has now been extended to all managerial staff. The performance targets used are based on financial indicators including return on investment (ROI) and return on capital employed (ROCE), as well as personal objectives such as developing a certain type of business or entering a new geographic market.

In this way, management compensation is clearly linked to performance and a system of management by objectives that promotes a high level of personal commitment. Each manager's compensation can fluctuate significantly from one year to the next, based on the results achieved.

Gross compensation received by the members of senior management, directly and indirectly from Group companies within and outside France, totaled €13.9 million in 2011 (2010: €10.4 million), including variable bonuses of €4.7 million (2010: €3.0 million) and termination benefits of €1.3 million (2010: €0).

GROUP MANAGEMENT

GROUP MANAGEMENT as of February 1, 2012

SENIOR MANAGEMENT

Pierre-André de CHALENDAR
Chairman and Chief Executive Officer

Benoît BAZIN
Senior Vice-President,
in charge of the Building Distribution Sector

Jean-Claude BREFFORT
Senior Vice-President,
in charge of International Development (1)

Gilles COLAS
Senior Vice-President,
in charge of Strategic Developments

Jérôme FESSARD
Senior Vice-President,
in charge of the Packaging Sector

Jean-Pierre FLORIS
Senior Vice-President,
in charge of the Innovative Materials Sector

Claude IMAUVEN
Senior Vice-President,
in charge of the Construction Products Sector

Claire PEDINI
Senior Vice-President,
in charge of Human Resources

Jean-François PHELIZON
Senior Vice-President,
in charge of Internal Audit and Internal Control

Antoine VIGNIAL (2)
Corporate Secretary

Laurent GUILLOT
Chief Financial Officer

CORPORATE DEPARTMENTS MANAGEMENT

Gérard ASPAR
Vice-President, Marketing

Sophie CHEVALLON
Vice-President, Communications

David MOLHO
Vice-President, Corporate Planning

Didier ROUX
Vice-President, Research and Innovation

SECTOR MANAGEMENT

Benoît BAZIN
President, Building Distribution Sector

Jérôme FESSARD
President, Packaging Sector

Jean-Pierre FLORIS
President, Innovative Materials Sector
(Flat Glass and High-Performance Materials)

Claude IMAUVEN
President, Construction Products Sector

GENERAL DELEGATES as of February 1, 2012

Benoît d'IRIBARNE
General Delegate, Brazil, Argentina and Chile

John CROWE
General Delegate, North America

Thierry FOURNIER
General Delegate, Russia, Ukraine and C.I.S.

Peter HINDLE
General Delegate, United Kingdom,
Republic of Ireland and South Africa

Thierry LAMBERT
General Delegate, Nordic Countries and Baltic States

Olivier LLUANSI
General Delegate, Eastern Europe

Anand MAHAJAN
General Delegate, India

Paul NEETESON
General Delegate, Central Europe

Emmanuel NORMANT
General Delegate, Asia-Pacific region

Ricardo De RAMON GARCIA
General Delegate, Spain, Portugal and Morocco

Guy ROLLI
General Delegate, Mexico, Venezuela and Colombia

Gianni SCOTTI
General Delegate, Italy, Greece, Egypt and Turkey

(1) Jean-Claude Breffort was Senior Vice-President in charge of International Development and General Delegate for Brazil, Argentina and Chile until December 31, 2011.
(2) Bernard Field until January 31, 2012.

SAINT-GOBAIN GROUP COMMITTEES as of February 1, 2012

EXECUTIVE COMMITTEE

Pierre-André de CHALENDAR
Chairman and Chief Executive Officer

Laurent GUILLOT
Chief Financial Officer

Claire PEDINI
Senior Vice-President,
in charge of Human Resources

Antoine VIGNIAL
Corporate Secretary

The Executive Committee meets once a week.

SENIOR MANAGEMENT COMMITTEE

Pierre-André de CHALENDAR
Chairman and Chief Executive Officer

Benoît BAZIN
Senior Vice-President,
in charge of the Building Distribution Sector

Jean-Claude BREFFORT
Senior Vice-President,
in charge of International Development

Gilles COLAS
Senior Vice-President,
in charge of Strategic Developments

John CROWE
General Delegate, North America

Jérôme FESSARD
Senior Vice-President in charge of the Packaging Sector

Jean-Pierre FLORIS
Senior Vice-President,
in charge of the Innovative Materials Sector

Laurent GUILLOT
Chief Financial Officer

Claude IMAUVEN
Senior Vice-President,
in charge of the Construction Products Sector

Claire PEDINI
Senior Vice-President,
in charge of Human Resources

Jean-François PHELIZON
Senior Vice-President,
in charge of Internal Audit and Internal Control

Didier ROUX
Vice-President, Research and Innovation

Antoine VIGNIAL
Corporate Secretary

The Senior Management Committee meets once a month.

COORDINATION COMMITTEE

Pierre-André de CHALENDAR
Chairman and Chief Executive Officer

The members of the Senior Management Committee

The General Delegates

The heads of the following businesses:

Saint-Gobain Glass (Houchan Shoeibi), Saint-Gobain Sekurit (Patrick Dupin), SGG Solutions (François-Xavier Moser), Abrasives (Patrick Millot), Ceramic Materials (Guillaume Texier), Performance Plastics (Thomas Kinisky), Pipe (Pascal Queru), Gypsum (Claude-Alain Tardy), Insulation (Benoît Carpentier), Industrial Mortars (Jean-Luc Gardaz), Point.P (Patrice Richard), Lapeyre (Patrick Bertrand), SGBD Deutschland (Udo Brandt), SGBD Nordics (Kare O. Malo), Packaging US (Joseph Grewe)

Vice-President, Information Systems and Group Purchasing (Frédéric Verger)

Vice-President, Group Marketing (Gérard Aspar)

The Coordination Committee meets three times a year.

AUDITORS

As of December 31, 2011, the Company's auditors were:

- PricewaterhouseCoopers Audit[1], 63 rue de Villiers, 92208 Neuilly-sur-Seine, represented by Pierre Coll and Jean-Christophe Georghiou, reappointed on June 3, 2010, for a six-year term expiring at the 2016 Annual General Meeting.
- KPMG Audit, Department of KPMG S.A.[1], 1 Cours Valmy, 92923 La Défense, represented by Jean-Paul Vellutini and Philippe Grandclerc, reappointed on June 8, 2006 for a six-year term expiring at the 2012 Annual General Meeting.

The substitute auditors are:

- Yves Nicolas, 63 rue de Villiers, 92208 Neuilly-sur-Seine, appointed on June 3, 2010 for a six-year term expiring at the 2016 Annual General Meeting.
- Fabrice Odent, 1 Cours Valmy, 92923 La Défense, appointed on June 7, 2007 for a six-year term expiring at the 2012 Annual General Meeting.

Fees paid by the Group to the Auditors and the members of their network for 2011

(in € millions)	PricewaterhouseCoopers Audit				KPMG			
	Amount		%		Amount		%	
	2011	2010	2011	2010	2011	2010	2011	2010
Audit								
Statutory and contractual audits								
Compagnie de Saint-Gobain	0.6	0.6	5%	5%	0.6	0.7	6%	6%
Fully-consolidated subsidiaries	10.1	9.6	83%	84%	9.7	10.0	87%	87%
TOTAL	**10.7**	**10.2**	**88%**	**89%**	**10.3**	**10.7**	**93%**	**93%**
Other audit-related services								
Compagnie de Saint-Gobain	0.7	0.3	6%	3%	0.4	0.1	3%	1%
Fully-consolidated subsidiaries	0.5	0.7	4%	6%	0.3	0.7	3%	6%
Subtotal	**1.2**	**1.0**	**10%**	**9%**	**0.7**	**0.8**	**6%**	**7%**
TOTAL	**11.9**	**11.2**	**98%**	**98%**	**11.0**	**11.5**	**99%**	**100%**
Other services provided by members of the network to fully-consolidated subsidiaries								
Legal and tax advice	0.2	0.2	2%	2%	0.0	0.0	0%	0%
Other (fees representing over 10% of the audit fees)	0.0	0.0	0%	0%	0.1	0.0	1%	0%
Subtotal	**0.2**	**0.2**	**2%**	**2%**	**0.1**	**0.0**	**1%**	**0%**
TOTAL	**12.1**	**11.4**	**100%**	**100%**	**11.1**	**11.5**	**100%**	**100%**

(1) Members of Compagnie régionale des Commissaires aux comptes de Versailles.

Bylaws

Compagnie de Saint-Gobain is a French société anonyme governed by articles L.210-1 et seq. of the French Commercial Code. Its head office is at Les Miroirs, 18 avenue d'Alsace, 92400 Courbevoie (phone: +33 (0) 1 47 62 30 00) and it is registered in Nanterre under no. 542039532. Its APE business identifier code is 741 J and its Siret code is 54203953200040.

The Company's corporate purpose is to conduct and manage, in France and internationally, any and all industrial, commercial, financial, securities and real estate transactions related to its manufacturing activities, through French or foreign subsidiaries or affiliates or otherwise (article 3 of the bylaws). The Company's fiscal year runs from January 1 to December 31. Its term will end on December 31, 2040, unless it is wound up before that date or its term is extended.

Official documents concerning the Company may be consulted at the head office, Les Miroirs, 18, avenue d'Alsace, 92400 Courbevoie (Investor Relations Department).

Special clauses in the bylaws

Special clauses contained in the bylaws are as follows:

Disclosure thresholds

The bylaws require shareholders to disclose to the Company, within five trading days, any increase in their interest to above 0.50% of the capital or voting rights or any multiple thereof, or any reduction in their interest to below any of these thresholds. This disclosure requirement applies to shares held either directly or indirectly, as well as to the combined interests of shareholders acting in concert.

Failure to comply with these disclosure rules may result in the undisclosed shares being stripped of voting rights for a period of two years from the date when the non-disclosure is remedied, at the request of one or more shareholders representing at least 3% of the capital or voting rights, as recorded in the minutes of the General Meeting. These disclosure thresholds were decided by the Annual General Meetings of June 23, 1988, June 15, 1990 and June 10, 2004.

In addition, the Company may request disclosure of information about its ownership structure and ownership of its shares in application of the relevant laws and regulations.

Board of Directors

The Company is administered by a Board of Directors with at least three members and no more than sixteen members (Annual General Meeting of June 5, 2008), including one director representing employee shareholders (Annual General Meeting of June 6, 2002).

Directors are elected for a four-year term. The age limit for holding office as a director is 70, or 68 for the Chairman of the Board. The Board may decide to combine the functions of Chairman of the Board and Chief Executive Officer.
The age limit for holding office as Chairman and Chief Executive Officer is 65, the same as for the Chief Executive Officer and the Chief Operating Officer(s) (Annual General Meetings of June 6, 2002 and June 5, 2003).

A director, the Chairman of the Board or the Chairman and Chief Executive Officer who reaches the age limit is required to step down at the close of the Annual General Meeting called to approve the financial statements for the year of his or her 70th, 68th or 65th birthday, as applicable.

The Board of Directors determines the Company's overall strategy and examines any issues related to the efficient operation of the business (Annual General Meeting of June 6, 2002).

The Board's activities are organized and led by the Chairman (Annual General Meeting of June 10, 2004).

Board meetings may be held using videoconference or other interactive telecommunication technologies, to the extent permitted by law (Annual General Meeting of June 28, 2001).

Each director is required to hold at least 800 Compagnie de Saint-Gobain shares (Annual General Meetings of June 24, 1999, June 28, 2001 and June 5, 2003).

General Meetings

Shareholders may participate in General Meetings in person or by giving proxy, provided that they submit proof of their identity and evidence of ownership of the shares as specified in the notice of meeting, at least three business days before the Meeting date, in accordance with legal requirements concerning participation in General Meetings. Where decided by the Board, shareholders may be called to and vote at a General Meeting by any form of electronic communication. Shareholders may give proxy to another person or entity to represent them at a General Meeting subject to the applicable legal provisions. Corporate shareholders are represented by their legal representative or by any person designated by the legal representative (Annual General Meeting of June 3, 2010).

At all General Meetings, voting rights are exercisable by the beneficial owner of the shares. Each shareholder has a number of voting rights corresponding to the number of shares held, without limitation.

However, double voting rights are allocated to fully paid-up shares registered in the name of the same holder for at least two years.

In addition, in the case of a bonus share issue paid up by capitalizing reserves, profits or additional paid-in capital, bonus shares allocated in respect of registered shares with double voting rights also carry double voting rights from the date of issue (Annual General Meeting of February 27, 1987).

Double voting rights are forfeited when the shares are converted to bearer form or sold. However, double voting rights are not forfeited when title is transferred by way of an inheritance or as a result of the liquidation of the marital estate or an *inter vivos* donation to a spouse or a relative in the direct line of succession, and the transfer is not taken into account for the purpose of determining the two-year qualifying period.

Shareholders may vote by post in accordance with the applicable laws and regulations.

Appropriation of income

Each year, 5% of net income for the year less any losses brought forward from prior years is credited to the legal reserve, until such time as the legal reserve represents 10% of the capital. If the capital is increased, the same transfer requirement applies until the legal reserve represents 10% of the new capital.

Distributable income corresponds to net income for the year less any losses brought forward from prior years and less any amounts to be credited to reserves in application of the law or the Company's bylaws, plus retained earnings.

The Annual General Meeting may appropriate all or part of this amount to any contingency or special reserves or to retained earnings, based on a recommendation of the Board of Directors. If these appropriations do not absorb the total amount of distributable income, shareholders are paid a non-cumulative first dividend equal to 5% of the paid-up par value of shares. If any funds remain after paying the first dividend, they are used to pay a second dividend.

The Annual General Meeting may decide to offer shareholders the option of receiving all or part of the dividend (or any interim dividend) in cash or in shares.

Compagnie de Saint-Gobain's bylaws are available for consultation on the website www.saint-gobain.com and at the Company's Legal Department. Copies may be obtained from the Nanterre Commercial Court (Greffe du Tribunal de Commerce de Nanterre).

RELATED PARTY AGREEMENTS

During 2011, the Board of Directors authorized the signature of the following related party agreements:

- On May 19, 2011, a service agreement, a technical and research agreement and a brand license, representing transitional agreements between Compagnie de Saint-Gobain and its subsidiary Verallia acting on its own behalf and on behalf of its own subsidiaries that were subject to the condition precedent of Verallia being listed on the stock exchange. A letter of engagement to be issued by Compagnie de Saint-Gobain to the banks appointed as bookrunners for Verallia's initial public offering.
- On May 19, 2011, memorandum of understanding between Wendel and Saint-Gobain entitled "Wendel and Saint-Gobain establish the principles and objectives of their long-term cooperation" [(1)].
- On July 28, 2011, draft amendments to the transitional service agreement, the technical and research agreement and the brand license (transitional agreements between Compagnie de Saint-Gobain and its subsidiary Verallia acting on its own behalf and on behalf of its own subsidiaries), all arising from the postponement of the planned initial public offering of Verallia shares.
  The amendments stipulate that the parties have waived application of the condition precedent of Verallia being listed on the stock exchange, thereby allowing the agreements to come into force [(2)].

(1) The memorandum of understanding is reproduced on pages 58 to 60.
(2) In addition, on May 19 and June 6, 2011, the Board of Directors authorized the signature of various contracts in connection with the planned initial public offering (IPO) of Verallia shares. These contracts were either not signed or did not come into effect or became null and void by virtue of the decision to postpone the IPO.

REPORT ON INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Report of the Chairman of the Board of Directors on certain aspects of corporate governance, on Compagnie de Saint-Gobain's internal control and risk management system and on any restrictions on the Chief Executive Officer's powers.

This report has been drawn up in application of article L.225-37 of France's Commercial Code and has been approved by the Board of Directors.

Corporate governance

Under French law, the Chairman is required to report to shareholders on certain aspects of corporate governance. The required disclosures concern the composition of the Board, its organization and practices, the Company's compliance with and implementation of a recognized corporate governance code, the formalities for participating in General Meetings, the principles and rules applied by the Board to determine the compensation and benefits awarded to executive directors and any other information that could have a bearing on a takeover bid for the Company.

This information is provided in the following sections of this registration document: Membership of the Board of Directors, Re-election of Directors, Board organization and practices, Committees of the Board, Corporate governance, Bylaws, Directors' compensation and benefits, Information that could have a bearing on a takeover bid for the Company (pages 66 to 83), which are incorporated by reference in this report of the Chairman.

Compagnie de Saint-Gobain's internal control and risk management systems

Saint-Gobain's internal control and risk management system is based on the internal control and risk management framework issued by the French securities regulator (Autorité des Marchés Financiers – AMF), as updated in July 2010, and complies with the legal requirements applicable to companies listed on the Paris Stock Exchange.

Internal control

The Saint-Gobain Group's internal control and risk management system is a set of resources, behaviors, procedures and initiatives tailored to each company's specific characteristics that:

- contributes to the control of the business, the effectiveness of operations and the efficient use of resources;
- enables the Company to appropriately address material operational, financial, compliance and other risks.

The internal control and risk management system is specifically designed to provide assurance concerning:

- the Company's compliance with the applicable laws and regulations;
- application of senior management's instructions and guidelines;
- the efficiency and effectiveness of internal operating, industrial, marketing, financial and other processes;
- the protection of tangible and intangible assets and the prevention of fraud;
- the reliability of financial information.

Deployed in all subsidiaries, the Saint-Gobain Group's internal control and risk management system is therefore more than just a set of procedures and it extends beyond accounting and financial processes.

Internal control fundamentals

The fundamentals of an efficient and effective internal control system include:

- adherence to the values and behavioral rules set out in the Saint-Gobain Principles of Conduct and Action (see page 30), which are distributed to all employees;
- clearly defined organization and allocation of responsibilities, supported by written procedures and ensuring effective segregation of tasks;
- delegations of signature authority and other powers that are aligned with the allocation of responsibilities and supported by controls over their use;
- human resources management policies aimed at ensuring that new hires have the knowledge and skills needed to fulfill their responsibilities and that existing employees are helped to improve their knowledge;
- written internal procedures distributed in an appropriate manner to employees;
- secure information systems with access rights granted on the basis of allocated roles and responsibilities to maintain effective segregation of tasks. Subsidiaries have an obligation to comply with the basic security rules issued by the Group Information Systems Department.

Internal control reference base

The internal control reference base describes the Group's internal control and risk management systems and presents, in a manual, all the mandatory controls to be implemented by all subsidiaries.

The internal control manual is organized around the following areas: Senior Management, Research & Development, Marketing, Sales & Customer Service, Inventories & Purchasing Logistics, Manufacturing & Plant Operations, Risk Prevention & Insurance, Environment, Health & Safety, Human Resources, Communication, Information Systems, Legal, Tax, Cash Management & Financing, Accounting & Non-current Financial Assets, Financial Management & Consolidation. It lists the main risks to which the Group is exposed in each of these areas and describes the controls that need to be performed to contain them. A risk/control matrix is also provided in the manual.

Each unit is required to incorporate these controls in its internal procedures, with any adjustments that may be necessary depending on the unit's own organization.

Internal control and risk management process

Within Saint-Gobain, internal control is a continuous process that integrates risk management procedures and involves (i) analyzing the main identifiable risks, (ii) developing controls that are proportionate to the risks involved, (iii) communicating control objectives to employees and (iv) implementing basic controls and (v) oversight controls and regularly checking the process's effectiveness. The process is described in the internal control reference base and applies to all Group subsidiaries.

Oversight controls and effectiveness checks may lead to corrective action being taken, to ensure that the internal control and risk management systems evolves as needed.

In 2011, the analysis of procedures to manage the Group's main risks and details of the corrective measures planned or implemented were reviewed by the Financial Statements Committee and then presented to the Board of Directors.

Implementation of the internal control and risk management process within Group entities

Saint-Gobain Group units implement the internal control and risk management process and adapt it to their own organization by identifying any operational risks specific to their entity that are not covered by the controls provided for in the internal control reference base.

The Senior Vice-Presidents of the Group's operating units and the heads of the shared service centers follow a five-step process:

- check that the fundamentals of internal control have been deployed;
- implement the controls described in the internal control reference base;
- lead the internal control process within their unit and identify any risks not covered by the controls provided for in the internal control reference base;
- deploy the internal control system in all of the unit's or center's facilities;
- oversee the internal control system and organize regular internal control reviews by the unit's Management Committee, in particular for the purposes of the compliance statement.

Compliance statement

Compliance statements are used to periodically assess units' compliance with a limited number of internal control reference base fundamentals.

Since 2009, the Senior Vice-Presidents of the operating units and the heads of the shared service centers report annually to the Group Chief Executive Officer on the level of internal control within their unit or center, by filling out a questionnaire that refers directly to the internal control reference base. They also commit to taking all necessary action to remedy any cases of non-compliance with the reference base.

The compliance statements and action plans are centralized and tracked by the Internal Control unit which also prepares an executive summary of the information. They are reviewed with the heads of the Activities, General Delegations and corporate departments and are the subject of an annual report to the Group Chief Executive Officer and to the Financial Statements Committee of the Board of Directors.

The compliance statement comprises 60 questions covering three main areas – the control environment, internal control procedures and internal control activities.

Monitoring action plans

A database is used to centralize information about the measures implemented to remedy any non-compliance issues identified during the compliance statement process, and about the action plans drawn up following audits performed by the Internal Audit unit.

This means that each Group company has access to a centralized platform that it can use to manage its action plans by reporting the corrective measures taken and the progress made compared with the pre-defined implementation schedule. The Group finance, human resources and IT departments can also use the system to monitor these action plans.

Overall organization of the internal control and risk management system

Everyone within the organization has some responsibility for internal control, from senior management down to the employees of the individual units.

Senior management

Group senior management oversees implementation of the internal control system and the existence and appropriateness of internal control and risk management monitoring systems within the subsidiaries.

Internal Audit and Internal Control Department

The Internal Audit and Internal Control Department organizes oversight of internal control and risk management systems based on the compliance statement, the results of internal audits, the action plan tracking system and the incident monitoring system. The Internal Audit and Internal Control Department plays a key role in the Group Compliance Program.

On the instructions of senior management, the Internal Control unit is responsible for designing the Group's internal control system and coordinating its deployment, working with the corporate departments, the General Delegations and the Sectors. Its main responsibilities are to:

- develop and maintain the internal control reference base;
- communicate and provide training in the internal control reference base;
- lead the annual compliance statement process;
- analyze incidents, the compliance statements and the results of audits, and propose upgrades to the internal control system;
- monitor implementation of the action plans decided following these exercises.

The Internal Audit unit is tasked with deploying a systematic and methodical approach designed to provide assurance concerning the appropriateness and effectiveness of the internal control systems and issuing recommendations for improvement. Its main responsibilities are to:

- check implementation of compulsory controls;
- check that compliance statements and action plans drawn up by the units to achieve the required level of compliance are appropriate;
- audit internal control systems in order to check their compliance with the rules set by the Group and their effectiveness considering the situation of the audited unit.

The Internal Audit unit also conducts value-added research into cross-functional issues, on behalf of an Activity or Sector, with the aim of improving performance.

The research and audits are planned by the Internal Audit and Internal Control Department based on the overall internal audit program approved by senior management and communicated to the Financial Statements Committee of the Board of Directors.

The internal audit program is based on the annual proposals of the Senior Vice-Presidents responsible for the Sectors, the General Delegates and the heads of the corporate departments. The Internal Audit and Internal Control Department may also be asked to perform unscheduled audits during the year.

The internal auditors are based at the Company's head office and in the main General Delegations. Some 180 internal audits were carried out in 2011. Copies of the auditors' reports were given to senior management as well as to the Sector Senior Vice-Presidents and General Delegates concerned. A report is issued at the end of each audit, describing the internal auditors' observations. The audited unit is given the opportunity to respond to these observations, after which a set of recommendations is issued, together with an action plan that the audited unit is required to implement within a fixed timeframe.

The external auditors are given copies of all internal audit reports, and the Internal Audit and Internal Control Department receives copies of the external auditors' reports, as well as summary descriptions of their internal control and information systems reviews.

An executive summary is sent to the Financial Statements Committee of the Board of Directors.

Where there is a presumption of fraud or embezzlement, the Internal Audit and Internal Control Department implements the appropriate procedures. The Fraud Prevention Officer issues a monthly incident tracking report and monitors implementation of corrective action taken in order to reduce the risk of a recurrence. He is also responsible for developing fraud detection methods and conducting fraud investigations.

Lastly, the Fraud Prevention Officer provides in-house training to Group managers in order to raise their awareness of fraud-related issues.

Corporate departments

The corporate departments are responsible for setting up an internal control organization and defining internal control strategies and procedures in their area. To this end, they:

- identify and analyze the main risks associated with their internal processes;
- define appropriate controls based on those described in the internal control reference base;
- inform and train the employees responsible for internal controls within their area;
- analyze any internal control weaknesses or incidents and the results of internal audits.

The corporate departments are also responsible for the internal control system within Compagnie de Saint-Gobain units.

Environment, Health and Safety Department

The Environment, Health and Safety (EHS) Department leads and coordinates Group policy in these areas. It has produced a reference manual (see below) that all site managers are required to comply with.

The EHS Department checks application of the reference manual procedures through detailed audits commissioned by the Company, the General Delegations or the Sectors.

The audits are based on a 12 or 20-step plan for manufacturing units. They are performed by staff working in the operating units – often in the area of EHS – who have received specific training in auditing techniques.

In all cases, staff from a different Sector are selected to perform the audit, ensuring that the process is doubly rigorous. All three areas are covered – environmental protection, health and safety – in an integrated process. The audit standards comply with OSHAS 18001 and ISO 14001.

A specific, customized audit plan has been developed for the Building Distribution Sector to replace the 12-step plan used previously. Known as ESPR for Environment, Safety and Prevention of Risks, the plan also includes a section on equipment safety and business interruption risk.
The majority of ESPR auditors belong to the Building Distribution Sector.

In 2011, 74 twelve-step audits, 215 twenty-step audits and 326 ESPR audits were carried out within the Group.

To enable unit managers to quickly and easily obtain an overview of their unit's EHS performance, a self-assessment tool has been developed, comprising a detailed list of questions and a measurement scale. There are two types of self-assessment packs for small units (less than 50 employees), one for industrial operations and the other for distribution operations.

Information Systems Department

In addition to its general responsibilities with regard to information systems, the Information Systems Department is tasked with drawing up Group systems and network security policies.

The department's Information Systems Security unit leads and coordinates yearly self-assessment exercises in these areas, supported by a reporting system that provides a basis for measuring the advances made by the various units and initiating any necessary action. The self-assessment covers 81 control points. In 2011, self-assessment exercises were carried out by 784 units.

Risks and Insurance Department

The Risks and Insurance Department defines the Group's policies for managing industrial and distribution risks. It issues risk prevention and insurance guidelines, supported by a self-assessment tool for managers of manufacturing and distribution units, and organizes visits to key sites by external risk prevention auditors. In 2011, around 500 such visits took place. At the end of each audit, recommendations are issued to enable site managers to draw up an action plan.

In addition to helping to reduce the risk of accidents, these audits serve to align insurance coverage with potential risks by setting appropriate limits on claims.

Since 2004, property and casualty risks at the manufacturing and distribution units, except in Algeria, Brazil and Morocco, are insured by a wholly-owned captive insurance company, with a cap of €12.5 million per claim. The use of a captive insurance company facilitates risk prevention decisions.

The subsidiaries' property & casualty and liability insurance programs are managed by the Risk and Insurance Department either directly or indirectly through the General Delegations.

Treasury and Financing Department

The Treasury and Financing Department defines financing policies for the entire Group (Compagnie de Saint-Gobain, the General Delegations and the subsidiaries).

Cash management transactions are subject to periodic controls and at Group level the cash position is monitored at monthly intervals based on detailed analyses of gross and net debt by currency, maturity and type of interest rate (fixed or variable), before and after hedging. Due to Compagnie de Saint-Gobain's central role in the Group's financing, its debt structure is monitored through a specific monthly reporting system.

The Internal Audit unit performs periodic reviews, on a rotating basis, of transactions by the General Delegations' cash management units, to check their compliance with Treasury and Financing Department policies and the quality of internal control.

Internal controls over cash management transactions are an integral part of internal audit plans for the subsidiaries and are also examined by the subsidiaries' external auditors.

The Group's risk factors are described on pages 100 to 106. The Treasury and Financing Department has drawn up a set of procedures for managing these risks which is updated on a regular basis and applies to the subsidiaries and General Delegations. The Department also performs compliance controls on financial market transactions carried out by the Corporate Treasury unit.

In addition, the Company's external auditors carry out the following reviews and audits of the Treasury and Financing Department:

- a half-yearly review and an annual audit covering (i) the type of treasury transactions carried out, (ii) the accounting treatment used for these transactions and (iii) the underlying risks;
- an annual review of the security of information systems used by the Department for conducting its operations.

Management and Financial Control Departments

The Management Control Department is responsible for carrying out controls over the Group's earnings and operating performance. It participates in drawing up the budget and the quarterly budget reviews and oversees the monthly earnings figures of the subsidiaries and Sectors and the Group as a whole. It also plays an active role in operational performance improvement projects and controls their costs and cost effectiveness. The Financial Control Department is responsible for validating capital expenditure, acquisition, divestment and merger projects and corporate actions prepared by the Sectors, following a detailed analysis of their financial impacts. The validation process also includes consulting the corporate departments and the General Delegation concerned about the project's legal, tax and employment aspects. The financial controllers' analyses are submitted by the Finance Department with the authorization request to Group senior management for a decision.

Sectors and Activities

The heads of the Sectors and Activities are responsible for distributing the internal control reference base to their various units and for ensuring compliance with Group instructions. They are also responsible for managing the specific risks associated with their business.

General Delegations

The General Delegates are responsible for distributing the internal control reference base to the companies in their Delegation and for ensuring compliance with Group instructions. Working with the Sector and Activity heads, they determine any specific conditions in which the controls defined by the Group are implemented so that local particularities can be taken into account, and deploy any additional controls that are necessary due to the specific risks associated with operations in the countries covered by the Delegation.

Other standards and procedures

Compagnie de Saint-Gobain has developed numerous internal control and risk management procedures for its own needs and those of its subsidiaries.

Group financial, administrative and management procedures

The Doctrine Department is responsible for preparing all financial, administrative and management procedures applicable to Group companies. Together, they compose a body of rules, methods and procedures enshrined in some 200 documents accessible on the Group's intranet, that can be used by the individual units as a basis for developing their own internal procedures. The rules, methods and procedures are organized in four chapters, Group Organization & Procedures, Financial Reporting, News & Meeting Reports, and Issues Specific to France.

Doctrine briefs are prepared by the corporate and/or operational departments concerned, and are then approved by two different committees: (i) the Doctrine Committee, which is made up of representatives of the Sectors and General Delegations and the Vice-Presidents in charge of the corporate departments and (ii) the Doctrine Brief Validation Committee, which comprises the Senior Vice-President, Internal Audit and Internal Control, the Chief Financial Officer, the Vice-President, Financial Management, and the Sector Finance Directors.

Reports on the Doctrine Department's activities are prepared three times a year for the Financial Statements Committee of the Board of Directors.

- Around sixty doctrine briefs are issued or updated each year and made available on an Intranet.
- Doctrine Newsletters are sent by e-mail to some 900 finance executives within the Group and various other communication media are used to highlight specific financial developments.
- Training sessions, seminars and meetings are also organized on issues examined by the Doctrine Department.
- The Doctrine Department also provides guidance on accounting issues, examining over 250 questions submitted directly by Group companies in 2011.

Environment, Health and Safety (EHS) reference manual

The EHS reference manual describes the approach to be followed by all units to meet the Group's overall objectives in terms of environmental protection and the prevention of workplace accidents and occupational diseases. The approach is organized around the core processes of identifying risks, implementing preventive action and assessing and monitoring the system's effectiveness.

The EHS reference manual is accessible on the Group intranet and is distributed to all sites. The Building Distribution Sector has adapted the manual to reflect the specific characteristics of this business.

The EHS Department and its network of correspondents have also drawn up EHS standards describing the methods to be applied to resolve specific environmental, health and safety issues. Implementation guides, procedures, training packs and computer applications have been developed to support application of the standards. These tools help to ensure that risks are measured and controlled according to the same preventive base at all Group units, whatever the country and the local laws and regulations.

NOS (NOise Standard) is a standard for identifying, assessing and managing potential exposure to noise in the workplace. Developed in 2004, it was rolled out to the entire Group in 2005, including units outside Europe.

TAS (Toxic Agents Standard) serves to identify, assess and manage potential exposure to toxic agents in the workplace. A trial version of the standard was launched in 2005 in the form of a guide to using crystalline silica, which is now being applied. The TAS framework document dated November 29, 2006 describes the background to the TAS, its objectives and how its application guides and dedicated tools should be used. Since the pilot crystalline silica project, three new TAS application guides have been published concerning: construction, renovation and maintenance of smelting furnaces, the handling of nanomaterials at the research and development centers (updated in 2008) and the use of fibrous materials. The guides are updated regularly – generally every three years – to keep pace with regulatory changes and improve understanding of industrial health and safety risks.

A new SAFHEAR (SAFety and HEAlth Risk assessement tool) tool for managing toxic, mechanical, electric and other risks, based on internal and external best practices, is being deployed at all of Saint-Gobain's manufacturing facilities. The toxic risk assessment module was successfully tested at nine pilot sites in November 2011 and the "other risks" module is due to be deployed in early 2012. SAFHEAR helps manufacturing facilities not only to manage these risks but also to ensure that they comply with local regulations. The overall policy and related resources are designed to ensure uniform prevention of health risks for all employees and product users.

The standard dealing with the implementation of a broad-based approach to assessing industrial risks covers the identification and measurement of potential health and safety risks at Group sites, in order to set priorities and develop action plans for reducing and controlling those risks.

The accident analysis standard defines the required characteristics of all methods used by the Group to analyze the causes of accidents.

Safety standards have been drawn up concerning work at height, the management of outside contractors working on-site, work permits and commissioning/decommissioning procedures.

Two more safety standards were deployed in 2010, concerning lifting equipment and lift trucks, followed by another three in 2011, dealing with confined spaces, vehicle and pedestrian safety, and warehouses and unloading operations. In addition, two standards drawn up in 2011 on electrical safety and road risks will be deployed in 2012.

Information systems security

The Information Systems Department compiles rules and best practices concerning information systems and networks, based on four sets of compulsory minimum security rules covering infrastructure, applications, manufacturing systems and research and development systems. Technical standards are also issued and updated to keep pace with technological advances.

Organization of internal control and risk management processes related to the preparation and processing of financial and accounting information for shareholders

Parent company financial statements

The Accounting Department is responsible for producing financial information for shareholders, partners and other third parties in accordance with French legal requirements. This information is prepared in accordance with generally accepted accounting principles, including the going concern principle, the principles of consistent application of accounting policies, alignment of the opening balance sheet with the prior-period closing balance sheet, recognition of expenses in the same period as the revenue to which they relate, segregation of accounting periods and substance over form.

Accounting organization

The accounting organization is based on the rules, methods and procedures set out in the Group's doctrine briefs. It facilitates the monthly reconciliation and substantiation of the accounts and the creation of an audit trail. It is also geared to anticipating material events, in order to apply the most appropriate accounting treatment in each case and, where possible, detecting potential problems before they occur.

The chart of accounts is aligned with the Company's needs in terms of transaction classifications and complies with the materiality principle. It is linked to the Group's financial information system.

Internal control

In addition to performing controls over compliance with payment procedures and the double signature rule for secure payment media, the Accounting Department contributes to internal control through a cost accounting system that tracks expenses by cost center. Cost center managers receive monthly schedules listing the expenses incurred under their signature, allowing them to check these expenses and also to compare actual and year-to-date expenses with the budget.

A summary of these cost accounting reports is sent to the Finance Department and Group senior management at the end of each month.

Consolidated financial statements

The consolidated financial statements are prepared by the Group Consolidation and Reporting Department. This department is responsible for updating consolidation procedures, training the financial reporting teams of newly acquired subsidiaries and integrating these subsidiaries in the consolidation process, processing information, and maintaining and developing consolidation systems for the Group and all the Sectors.

Consolidation standards

The Consolidation Department is responsible for providing information and training to subsidiaries through the Sectors and General Delegations, using the consolidation manual, the intranet site and an online training application in French and English. Consolidation instructions are issued for each closing, describing the changes compared with the previous period-end and enhancements to reporting systems, standards and procedures.

In 2011, the Group continued its training programs concerning the reporting system and IFRS, notably as part of the process to set up shared accounting services centers and integrating them into the financial information system.

Organization of the consolidation process

The Group has consolidation teams at the level of each direct subgroup and indirect subgroup. These teams report to the head of their Sector or General Delegation and have a dotted-line reporting relationship with the Group Consolidation and Reporting Department. This organization, which is based on the Group's organization by business (Sectors) and by region (General Delegations), is designed to guarantee the reliability of the consolidated financial statements while also ensuring that information is processed and overseen at a level as close as possible to operations staff.

Processing and control of accounting information

Each subsidiary submits its consolidation package in accordance with the timeline set by the Group. The packages are checked and processed at Sector level, reviewed by the General Delegation concerned, then transmitted to the Consolidation Department which performs an overall review of the Group accounts and records the necessary consolidation adjustments. These consolidated accounts are submitted to Group senior management every month.

The consolidated financial statements are examined by the auditors in accordance with professional auditing standards. The subsidiaries' financial statements are audited by local auditors, who apply local auditing standards and tailor their procedures to the size of the audited unit.

Consolidation systems

The consolidated financial statements are prepared using consolidation software equipped with a powerful, efficient and secure database that is aligned with the Group's matrix management structure.

The software is capable of managing a database with several levels of consolidation and of transparently centralizing data in the database.

It feeds data into a reporting system for Group senior management and the management of the Sectors and General Delegations, contributing to internal control of information output.

In 2011, the Group future-proofed its financial information system by migrating to a new, more reliable and powerful version of its consolidation software.

A reporting process that contributes to financial statement reliability

The reporting process contributes to the reliability of the annual and interim consolidated financial statements. Hard closes are performed at May 31 and October 31, to reduce the workload at June 30 and December 31. Hard close results and balance sheets are reviewed by finance executives from the Finance Department, the Sectors and the General Delegations in the same detail and in accordance with the same principles as the annual and interim financial statements. Their review also covers projected actual results to June 30 and December 31. The hard close is also reviewed by the auditors. This procedure helps to ensure early detection of any errors and their adjustment during the actual close.

Since 2006, forecasts have been adjusted at quarterly intervals to reflect differences in actual year-to-date results compared with the budget. This cross-checking by head office teams, the Sectors and the General Delegations represents a key element of the Group's system of internal control over financial and accounting information for shareholders.

Each month, a consolidated report is prepared for Group senior management, supported by discussions and analyses of material events and issues of the period.

Restrictions on the Chief Executive Officer's powers

On June 3, 2010, Pierre-André de Chalendar was appointed as Chairman and Chief Executive Officer, following a Board decision to once again combine these two positions, which had been segregated since June 7, 2007. He has the powers vested in him by law, as there are no restrictions on his powers in the bylaws or imposed by the Board.

STATUTORY AUDITORS' REPORT

This is a free translation into English of the Statutory Auditors' report issued in France and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory Auditors' report prepared in accordance with article L.225-235 of the French Commercial Code, on the report prepared by the Chairman of the Board of Directors of Compagnie de Saint-Gobain.

Year ended December 31, 2011

To the Shareholders,

In our capacity as Statutory Auditors of Compagnie de Saint-Gobain and in accordance with article L.225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your company in accordance with article L.225-37 of the French Commercial Code for the year ended December 31, 2011.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by article L.225-37 of the French Commercial Code, in particular relating to corporate governance.

It is our responsibility to:

- report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- attest that this report sets out the other information required by article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report.

These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman of the Board's report prepared in accordance with article L.225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by article L.225-37 of the French Commercial Code.

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

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG Audit
Département de KPMG S.A.

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

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

This is a free translation into English of the Statutory Auditors' special report on related party agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Compagnie de Saint-Gobain, we hereby report to you on related party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R.225-31 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents..

Agreements and commitments to be submitted for the approval of the Annual General Meeting on June 7, 2012

Agreements and commitments authorized during the year

In accordance with article L.225-40 of the French Commercial Code, we were informed of the following agreements and commitments previously authorized by your Board of Directors:

Agreements authorized as part of the initial public offering of Verallia on the regulated market of NYSE Euronext in Paris (hereinafter referred to as the "initial public offering of Verallia")

- At its meeting on May 19, 2011, the Board of Directors authorized the signing of the following draft agreements, subject to the condition precedent of the initial public offering of Verallia being completed: Transitional Services Agreements, Technical and Research Agreement, Trademark License Agreement, and Letter of Engagement.
- At its meeting on July 28, 2011, the Board of Directors authorized the signing of draft amendments to the Transitional Services Agreement, the Technical and Research Agreement, and the Trademark License Agreement. These draft amendments remove the condition precedent from the agreements and allow them to be implemented during the year ended December 31, 2011.

The nature and the main terms and conditions of these agreements, the co-contracting parties, and the persons concerned are set out in the attached appendix.

Furthermore, for the shareholders' information and in relation to the initial public offering of Verallia, the draft agreements relating to the sale of Saint-Gobain Emballage and Saint-Gobain Vidros shares, the Intra-Group Credit Facilities and the draft Underwriting Agreement were authorized by the Board of Directors at its meetings of May 19 and June 6, 2011. As a result of the postponement of the initial public offering of Verallia, these draft agreements were not implemented and are now null and void. Consequently, the Board of Directors will not submit them for the shareholders' approval.

Agreement with Wendel, a shareholder of Compagnie de Saint-Gobain

Persons concerned:

Wendel, shareholder with an interest of over 10% in Compagnie de Saint-Gobain

Directors: Frédéric Lemoine, Chairman of the Management Board of Wendel and Bernard Gautier, Member of the Management Board of Wendel

At its meeting on May 19, 2011, the Board of Directors authorized the signing of agreements between Wendel and Saint-Gobain, which set out the principles and objectives of their long-term cooperation. These new agreements, which were entered into on May 26, 2011 for a ten-year term, mainly relate to corporate governance, voting rights and changes in Wendel's interest in the capital of the Company.

Agreements and commitments previously approved by the Annual General Meeting

Agreements and commitments approved in previous years

a) which were implemented during the year

Pursuant to article R.225-30 of the French Commercial Code, we were informed that the following agreements and commitments, approved in previous years by the Annual General Meeting, were implemented during the year.

Nature and date of approval by the Annual General Meeting	Person(s)/entity(ies) concerned	Implementation in the year ended December 31, 2011
Group health and personal risk insurance contract for employees and corporate officers *Approved by the Annual General Meeting of:* June 3, 2010 (Statutory Auditors' special report of March 26, 2010)	*Chairman and Chief Executive Officer: Pierre-André de Chalendar*	A payment of €6,251 was made by the Company to URRPIMMEC for Pierre-André de Chalendar's insurance coverage.
Agreement relating to the lease for the apartment occupied by Jean-Louis Beffa *Approved by the Annual General Meeting of:* June 3, 2010 (Statutory Auditors' special report of March 26, 2010)	*Director:* M. Jean-Louis Beffa	This lease agreement has been in place since June 3, 2010.
Bank bond and counter-guarantee for the payment of the fine imposed by the European Commission concerning the automotive glass industry *Approved by the Annual General Meeting of:* June 4, 2009 (Statutory Auditors' special report of March 19, 2009)	*Directors:* MM. Jean-Louis Beffa et Michel Pébereau	BNP Paribas received a total sum of €3.3 million from the Company in relation to this guarantee.
Defined benefit pension plan *Approved by the Annual General Meeting of:* June 5, 2008 (Statutory Auditors' special report of April 7, 2008)	*Director:* M. Jean-Louis Beffa	Since the date of the termination of his duties as Chairman of the Board of Directors, Jean-Louis Beffa, who is still a director, has received a total sum of €570,620 in relation to this agreement.

b) which were not implemented during the year

Furthermore, we were informed that the following agreements and commitments, already approved by an Annual General Meeting in previous years, remained in force but were not implemented during the year.

Nature and date of approval by the Annual General Meeting	Person(s)/entity(ies) concerned
• Commitments in relation with the payment of compensation and termination benefits, in some termination cases of the Chairman and Chief Executive Officer's duties • Non-compete agreement valid in certain cases on the termination of the Chairman and Chief Executive Officer's duties *Approved by the Annual General Meeting of:* June 3, 2010 (Statutory Auditors' special report of March 26, 2010)	*Chairman and Chief Executive Officer: Pierre-André de Chalendar*
• Defined benefit pension plan for the Company's Chairman and Chief Executive Officer *Approved by the Annual General Meeting of:* June 5, 2008 (Statutory Auditors' special report of April 7, 2008)	*Chairman and Chief Executive Officer: Pierre-André de Chalendar*

Neuilly-sur-Seine and Paris La Défense, March 9, 2012

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG Audit
Département de KPMG S.A.

Pierre Coll

Jean-Christophe Georghiou

Jean-Paul Vellutini

Philippe Grandclerc

APPENDIX TO THE STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

Nature and purpose	Co-contracting parties	Persons concerned	Main terms of implementation as of December 31, 2011
Transitional Services Agreement and its amendment	Compagnie de Saint-Gobain acting in its name and on its behalf as well as in the name and on behalf of other companies of the Saint-Gobain Group (hereinafter collectively referred to as "Saint-Gobain") on the one hand, and Verallia and the companies in the Packaging Sector (hereinafter collectively referred to as "Verallia") on the other hand	Pierre-André de Chalendar, *Chairman and Chief Executive Officer of Compagnie de Saint-Gobain and Chairman of the Board of Directors of Verallia*	These agreements end the general assistance provided by Saint-Gobain and set out the conditions under which Saint-Gobain will continue to provide Verallia with services during a transitory period as of June 1, 2011. The duration of this period will vary according to the type of services concerned: financial, human resources, IT and telecommunications, legal, tax and insurance, and real-estate services. The annual compensation or the compensation per assignment for 2011 were set out in the agreements for each service and each beneficiary. The annual compensation or the compensation per assignment for 2011 were set out in the agreements for each service and each beneficiary. The compensation will be revised every year subject to a mutual agreement. Under this agreement, Saint-Gobain billed Verallia €8,922 thousand including €617 thousand in the name of Compagnie de Saint-Gobain, for the year ended December 31, 2011.
Technical and Research Agreement and its amendment	Compagnie de Saint-Gobain acting in its name and on its behalf as well as in the name and on behalf of other companies of the Saint-Gobain Group (hereinafter collectively referred to as "Saint-Gobain") on the one hand, and Verallia and the companies in the Packaging Sector (hereinafter collectively referred to as "Verallia") on the other hand	Pierre-André de Chalendar, *Chairman and Chief Executive Officer of Compagnie de Saint-Gobain and Chairman of the Board of Directors of Verallia*	This agreement sets out the conditions under which Verallia will continue, in addition to its own organization, to benefit from (i) the development efforts of certain entities of the Saint-Gobain Group responsible for technical development and research in glassmaking, (ii) the implementation of the cross-licensing between Saint-Gobain and Verallia of the trademarks required for the performance of their activities, and (iii) the right to participate in Saint-Gobain's cross-cutting strategic research and development programs. This agreement will have a five-year term as of June 1, 2011. Under this agreement, Saint-Gobain billed Verallia €2,518 thousand for the year ended December 31, 2011. Compagnie de Saint-Gobain did not bill any amounts in its own name.
Trademark License Agreement and its amendment	Compagnie de Saint-Gobain and Verallia on the one hand, and the companies in the Packaging Sector (hereinafter collectively referred to as "Verallia") on the other hand	Pierre-André de Chalendar, *Chairman and Chief Executive Officer of Compagnie de Saint-Gobain and Chairman of the Board of Directors of Verallia*	This agreement sets out the conditions under which Verallia will continue to benefit from its right to the free use of the Saint-Gobain brand for its company names, material, property, plant and equipment, and domain names as well as the trademarked abbreviation "SG" as of June 1, 2011 and for a transitory period from the date on which Compagnie de Saint-Gobain no longer holds, directly or indirectly, more than 50% of Verallia's capital or voting rights.
Letter of Engagement	Compagnie de Saint-Gobain and Verallia on the one hand, and BNP Paribas, JP Morgan Securities Ltd, and Meryll Lynch International (hereinafter collectively referred to as the "Joint Bookrunners") on the other hand	Pierre-André de Chalendar, *Chairman and Chief Executive Officer of Compagnie de Saint-Gobain and Chairman of the Board of Directors of Verallia* Michel Pébereau, *Director of Compagnie de Saint-Gobain and of BNP Paribas*	Under the Letter of Engagement: • The Joint Bookrunners undertake to advise and assist Compagnie de Saint-Gobain and Verallia in relation to the initial public offering of Verallia on the regulated market of NYSE Euronext in Paris. • Compagnie de Saint-Gobain and Verallia undertake to: - pay the Joint Bookrunners commission in proportion to the gross amount of collected funds as well as the costs and expenses incurred, which will be borne exclusively by Compagnie de Saint-Gobain, - compensate the Joint Bookrunners for any losses suffered during the initial public offering, particularly in the event of losses following litigation or claims. Due to the postponement of the initial public offering of Verallia, the commission and compensation included in this Letter of Engagement were not paid.

RISK FACTORS

Macroeconomic and industry risks

Most of the Group's markets are cyclical in nature. A significant portion of revenues depends on the level of investment in the construction market, which generally closely follows economic trends. Consequently, the Group's earnings are highly sensitive to national, regional and local economic conditions.

The sovereign debt crisis that began in mid-2011 accentuated the global economy's vulnerabilities.

A further deterioration in the global economic environment and in financial market conditions could have a material adverse effect on the Group's sales, earnings, cash flow and outlook.

Operational risks

Risks associated with the Group's international operations

With over two-thirds of revenues generated outside France, the Group is exposed to the inherent risks of doing business internationally, including economic, political and operational risks. These risks could have a negative effect on the Group's business, results and financial position. Future changes in the political, legal or regulatory environment could have an adverse effect on the Group's assets, its ability to do business and its profitability in the countries concerned. The Group's businesses are exposed to various operational risks that could lead to operations being interrupted, or to the loss of customers or to financial losses.

In 2011, nearly 20% of consolidated sales were realized in emerging markets and Asia, where risks arising from falling GDP, exchange controls, changes in exchange rates, inflation and political instability may be greater than in developed economies.

Innovation risks

The emergence of new technologies is driving rapid change in some of the Group's markets. The Group has to keep pace with these changes and integrate the new technologies in its product offer, in order to respond effectively to customers' needs. This requires spending on research and development, with no guaranteed return on investment. The Group's sales and operating margin may be affected if it fails to invest in appropriate technologies or to rapidly bring new products to market, or if competing products are introduced or the Group's new products do not adequately respond to customers' needs.

Intellectual property risks

The Group uses manufacturing secrets, patents, trademarks and models and relies on applicable laws and regulations to protect its intellectual property rights. If the Group failed or was unable to protect, preserve and use its intellectual property rights, this could result in the loss of its exclusive right to use technologies and processes, with a material adverse effect on earnings. In addition, the laws in some of the Group's host countries may not protect intellectual property rights to the same degree as in other countries such as France and the United States. The Group may take legal action against third parties suspected of breaching its rights. Any such lawsuits may give rise to significant costs and hamper growth in sales of the products manufactured using the rights concerned.

Risk of being unable to raise prices to reflect higher costs

The Group's businesses may be affected by fluctuations in the prices and availability of feedstocks and/or energy (such as natural gas). Its ability to pass on these cost increases or decreases to customers depends to a large extent on market conditions and practices. If the Group's ability to pass on increases in feedstock and/or energy costs were limited, this could have a material adverse effect on its financial position and earnings.

Risks associated with the integration of acquisitions

Historically, the Group has grown notably through acquisitions. The benefits of acquisitions depend in part on the realization of cost synergies and the seamless integration of the acquired businesses. There is no guarantee that these objectives will be met.

Restructuring risks

The Group has undertaken a variety of cost-cutting and restructuring initiatives. While further savings are planned, there is no guarantee that the forecast reductions will be achieved or that the related restructuring costs will not be more than originally budgeted. In particular, certain restructuring operations and other initiatives may cost more than expected, or the cost savings may be less than expected or take longer than expected to achieve. An increase in restructuring costs and/or the inability of the Group to achieve the expected savings could have a material adverse effect on the Group's outlook and earnings.

Market risks (liquidity, interest rate, foreign exchange, energy, raw materials 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. Financial assets comprise marketable securities and cash equivalents.

Compagnie de Saint-Gobain's liquidity position is secured by various confirmed syndicated lines of credit.

A breakdown of long- and short-term debt is provided by type and maturity in Note 19 to the consolidated financial statements. Details of amounts, currencies, and acceleration clauses of the Group's financing programs and confirmed credit lines are also provided 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 consolidated 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 €0.2 million increase in net 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 are for periods of around three months. However, forward contracts taken out to hedge firm orders may have terms of up to two years.

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

The Group monitors its exposure to foreign exchange risk using a monthly reporting system which captures the foreign exchange positions taken by subsidiaries. At December 31, 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:

(In millions of euro equivalents)	Long	Short
EUR	2	5
USD	5	13
Other currencies	0	2
TOTAL	**7**	**20**

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:

(in € millions)	Net gain or loss
EUR	(0.4)
USD	(0.8)

A 10% fall in exchange rates would have a positive 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. Its 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) 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 national delegations' treasury departments) in accordance with instructions received from Saint-Gobain Achats.

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 in its financial position.

Note 20 to the consolidated financial statements 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.

Other risks

Customer credit risk

The Group's exposure to customer credit risk is limited due to its wide range of businesses, global presence and very large customer base. Past-due receivables are regularly analyzed and provisions are booked whenever necessary. Nevertheless, changes in the economic situation could lead to an increase in customer credit risk.

Consumer credit risk

The Group's exposure to consumer credit risk is also limited due to its wide range of businesses, global presence and very large customer base. Past-due receivables are regularly analyzed and provisions are booked where necessary. In 2012, changes in the economic situation could lead to an increase in consumer credit risk.

Employee benefit plan risks

The Group has set up pension and other post-employment benefit plans, mainly in France, Germany, the Netherlands, the United Kingdom, the United States and Canada. Most of these plans are closed to new entrants.

The funded status of the plans (which had assets of €6.6 billion at December 31, 2011) may be affected by unfavorable changes in the actuarial assumptions used to calculate the projected benefit obligation, such as a reduction in discount rates, an increase in life expectancy or higher inflation, or by a fall in the market values of plan assets, consisting mainly of equities and bonds.

At December 31, 2011, the total projected benefit obligation was €9.8 billion. The obligation increased by €0.9 billion over the year and the fair value of plan assets rose by around €0.4 billion.

Risk of impairment of property, plant and equipment and intangible assets

Brands and goodwill make up a significant proportion of the Group's intangible assets, representing €2.8 billion and €11.0 billion respectively. In line with Group accounting policies, goodwill and certain other intangible assets with indefinite useful lives are tested for impairment periodically and whenever there is an indication that their carrying amount may not be fully recoverable. Goodwill and other identified intangible assets may become impaired as a result of worse-than-expected performance by the Group, unfavorable market conditions, unfavorable legal or regulatory changes or many other factors. The recognition of impairment losses on goodwill could have an adverse effect on consolidated net income. Property, plant and equipment (€14.2 billion) represent roughly one third of total assets and may become impaired in the event of a downturn in business.

Industrial and environmental risks

The Group may be exposed to capital costs and environmental liabilities as a result of its past, present or future operations.

The main industrial and environmental risks result from the storage of hazardous substances at certain sites. Six of the Group's plants are considered as representing "major technological risks" under European regulations, and are subject to specific legislation and close supervision by the relevant authorities.

In 2011, five Saint-Gobain plants in Europe were considered as classified installations under the EU Seveso II Directive. Three of these are classified as "lower tier" under the directive: Conflans Sainte-Honorine (Abrasives) in France, which stores phenolic resin; Neuburg (Packaging) in Germany, which stores liquefied petroleum gas (LPG); and Avilès (Flat Glass) in Spain, which stores propane (C_3H_8) and oxygen (O_2). The Fredrikstad plant (Gypsum) in Norway, which was also classified as "lower tier" under the directive, has not stored LPG since August 2011.

The other two are classified as "upper tier": Bagneaux-sur-Loing (Flat Glass) in France, which stores arsenic (AS_2O3) and Carrascal del Rio (Flat Glass) in Spain, which stores hydrofluoric acid (HF), amongst other substances.

The Fredrikstad plant (Gypsum) in Norway, which was classified as a "lower tier" Seveso site, was declassified in August 2011 when it stopped storing LPG.

In application of France's Act of July 30, 2003 on the prevention of technological and natural risks and the remediation of contaminated sites, specific risk prevention and safety policies have been implemented at all of the French sites listed above, with particular emphasis on "upper tier" Seveso sites. After accident risks and their potential impact on the environment were identified, preventive measures were implemented, covering the design and construction of storage areas, as well as the manner in which they are used and maintained. Internal contingency plans have been developed to respond to incidents. Liability for personal injury and damage to property arising from the operation of the plants is covered by the current insurance program, except for the Bagneaux-sur-Loing plant, which is insured under a specific policy taken out by the joint venture that operates the facility. In the event of a technological accident, compensation payments to victims would be organized jointly by the joint venture, the insurance broker and the insurer.

Legal risks

The Group is not subject to any specific regulations that could have an impact on its financial position, although its manufacturing subsidiaries are generally required to comply with specific national laws and regulations that vary from country to country. In France, for example, Group plants are subject to the laws and regulations applicable to classified sites. The Group is not dependent on any other companies for its technical or commercial operations, is not subject to particular confidentiality restrictions and has full access to the assets required to operate its business.

The regulations applicable to the Group may change in a manner that may be favorable or unfavorable. The introduction of stricter regulations or more diligent enforcement of existing regulations may, in some cases, open up new growth opportunities for the Group, but may also change the way the Group conducts its business, possibly leading to an increase in operating expenses or restrictions on the scope of the business or, more generally, acting as a brake on business growth.

Compagnie de Saint-Gobain has elected to be taxed under the group relief scheme provided for in articles 223A et seq. of France's General Tax Code.

The Group's main legal risks concern asbestos-related litigation in France and, above all, the United States, and competition issues.

There can be no guarantee that there will be no unforeseen or significant regulatory changes in the future with a material adverse effect on the Group's business, financial position or earnings.

There are no other governmental, legal or arbitration proceedings in progress, pending or threatened of which the Company is aware which may have, or have had in the past 12 months, significant effects on the Group's financial position or profitability.

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 some €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 six 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 five cases, 39 were being investigated – including 33 pending before the Social Security courts, four before the Courts of Appeal and two before the Court of Cassation – and eight had been completed in terms of liability but not in terms of quantum, of which five pending before the Courts of Appeal and three before the Social Security Court. The final seven 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 that 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 fairly 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 and 8,000 in 2009, 2008 and 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 out of court, 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 them 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 involving CertainTeed. This amount is less than the €97 million recorded in 2010, higher than the €75 million recorded in 2009 and 2008, and identical to the €90 million recorded in 2007. At December 31, 2011, the Group reserve for asbestos-related claims against CertainTeed in the United States amounted to €389 million (USD 504 million), compared with €375 million (USD 501 million) at December 31, 2010, €347 million (€500 million) at December 31, 2009, €361 million (USD 502 million) at December 31, 2008 and €321 million (USD 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 (USD 82 million) compared to €78 million (USD 103 million) in 2010, €55 million (USD 77 million) in 2009, €48 million (USD 71 million) in 2008 and €53 million (USD 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.

Insurance - coverage of potential risks

The Group transfers its risks to the insurance market when this is the most efficient solution. Default by one or more of the Group's insurers could therefore lead to financial losses.

The Group implements preventive programs and purchases insurance cover to protect its assets and revenue. The policy is determined, coordinated and overseen by the Risks and Insurance Department based on conditions in the insurance market. It defines insurance criteria for the most significant risks, such as property & casualty, business interruption, and business and product liability.

For other types of cover, such as automobile fleet insurance, the Risks and Insurance Department advises the individual operating units on policy content, broker selection and which market to consult. These represent high frequency risks, for which claims are monitored internally and appropriate action taken. The 2010 policies were renewed in 2011 and the captive insurance company set up to cover property risks delivered real benefits.

Companies acquired during the year have been integrated into existing insurance programs.

Property & casualty and business interruption insurance

The Group has a worldwide insurance program covering non-excluded property & casualty risks and business interruption risks arising from accidental damage to insured assets. The program does not cover operations in Brazil which are insured under a local program under the Risks and Insurance Department's supervision.

The programs meet the insurance criteria laid down by the Risks and Insurance Department:

- all policies are "all risks" policies with named exclusions;
- claims ceilings are based on worst-case scenarios where safety systems operate effectively;
- deductibles are proportionate to the size of the site concerned and cannot be qualified as self-insurance.

These criteria take into account current insurance offerings, which exclude certain risks, such as computer viruses and their impact on operations, and cover natural disasters like floods, storms or earthquakes only up to a certain amount.

In extreme scenarios, such events could have a substantial uninsured financial impact in terms of both reconstruction costs and lost production costs.

The Risks and Insurance Department's policy is based on the findings of the annual audits carried out by independent prevention experts recognized by the Group's insurers. These audits give a clear picture of the main sites' risk exposure in the event of a fire or other incident and provide an estimate of the financial consequences in a worst-case scenario.

Individual claims in excess of €12.5 million are transferred to the insurance market.

Claims representing less than this amount are self-insured through the Group's captive insurance company, which purchases reinsurance cover against increases in frequency or severity rates.

Liability insurance

Two programs provide coverage for the lower tranches of third-party personal injury and property damage claims.

The first covers all subsidiaries except those located in the geographic area covered by the United States & Canada Delegation and has a coverage limit of €50 million. The program's exclusions are consistent with market practice and concern in particular potentially carcinogenic substances and gradual pollution.

In order to satisfy local regulatory requirements, a policy is taken out in each country in which the Group has a significant presence. Local policies are backed up by first line insurance issued in Paris, which can be activated when local cover proves inadequate.

The second program covers subsidiaries located in the geographic area covered by the United States & Canada Delegation and has a coverage limit of USD 50 million. This program is structured differently to deal with the specific nature of liability risks in the United States. It is divided into several lines of coverage, allowing it to be placed on the London insurance market. Exclusions are in line with current market practice in the United States and primarily concern contractual liability, pollution and third party consequential loss.

In addition to the two above-described programs, a number of supplementary programs have been set up in order to bring the total coverage limit to a level considered compatible with the Group's businesses.

Within the operating units, action is taken to raise awareness of liability risks. In the case of a claim, the deductible is paid directly by the unit concerned, representing an added incentive to contain these risks. Deductibles do not, however, constitute self-insurance. Saint-Gobain also runs a risk prevention program at its operating units with the support of the Environment, Health and Safety Department.

Exceptions

Joint ventures and companies not controlled by the Group are excluded from the above programs and purchase separate insurance coverage.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER

ASSETS *(in EUR millions)*	Notes	Dec. 31, 2011	Dec. 31, 2010
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
Non-current assets		**29,877**	**28,933**
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
Current assets		**16,357**	**15,064**
TOTAL ASSETS		**46,234**	**43,997**

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

EQUITY AND LIABILITIES *(in EUR millions)*	Notes	Dec. 31, 2011	Dec. 31, 2010
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)
Shareholders' equity		**17,815**	**17,868**
Minority interests		403	364
Total equity		**18,218**	**18,232**
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
Non-current liabilities		**14,820**	**13,889**
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
Current liabilities		**13,196**	**11,876**
TOTAL EQUITY AND LIABILITIES		**46,234**	**43,997**

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

CONSOLIDATED INCOME STATEMENT

(in EUR millions)	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)
Operating income		**3,441**	**3,117**
Other business income	(22)	69	87
Other business expense	(22)	(864)	(680)
Business income		**2,646**	**2,524**
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)
Net financial expense		**(638)**	**(739)**
Share in net income of associates	(6)	8	5
Income taxes	(15)	(656)	(577)
Net income		**1,360**	**1,213**
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**1,284**	**1,129**
Minority interests		76	84

Earnings per share *(in EUR)*			
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

(in EUR millions)	Shareholders' equity Before tax effect	Shareholders' equity Tax effect	Minority interests	Total equity
2010				
Net income	**1,667**	**(538)**	**84**	**1,213**
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)(*)
Income and expense recognized directly in equity	**780**	**28**	**30**	**838**
Total recognized income and expense for the year	**2,447**	**(510)**	**114**	**2,051**
2011				
Net income	**1,903**	**(619)**	**76**	**1,360**
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)(*)
Income and expense recognized directly in equity	**(782)**	**234**	**(20)**	**(568)**
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

(in EUR millions)	Notes	2011	2010
Net income attributable to equity holders of the parent		**1,284**	**1,129**
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)
Net cash from operating activities		**2,385**	**2,773**
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)
Investments		**(2,701)**	**(1,536)**
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
Divestments		**100**	**278**
Increase in loans and deposits	(7)	(38)	(77)
Decrease in loans and deposits	(7)	53	63
Net cash from (used in) investing activities		**(2,586)**	**(1,272)**
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)
Net cash from (used in) financing activities		**405**	**(1,969)**
Increase (decrease) in cash and cash equivalents		**204**	**(468)**
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
Cash and cash equivalents at beginning of year		**2,762**	**3,157**
Cash and cash equivalents at end of year		**2,949**	**2,762**

(*) 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

	(Number of shares) Issued	Outstanding (excluding treasury stock)	*(in EUR millions)* Capital stock	Additional paid-in capital and legal reserve	Retained earnings and net income for the year	Cumulative translation adjust-ments	Fair value reserves	Treasury stock	Share-holders' equity	Minority interests	Total equity
At January 1, 2010	**512,931,016**	**508,473,517**	**2,052**	**5,341**	**10,137**	**(1,340)**	**(75)**	**(203)**	**15,912**	**302**	**16,214**
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
Total recognized income and expense for the year			**0**	**0**	**949**	**956**	**32**	**0**	**1,937**	**114**	**2,051**
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	0							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
At December 31, 2010	**530,836,441**	**525,722,544**	**2,123**	**5,781**	**10,614**	**(383)**	**(43)**	**(224)**	**17,868**	**364**	**18,232**
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
Total recognized income and expense for the year			**0**	**0**	**808**	**(93)**	**21**	**0**	**736**	**56**	**792**
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	0							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**
AT DECEMBER 31, 2011	**535,563,723**	**526,205,696**	**2,142**	**5,920**	**10,654**	**(476)**	**(22)**	**(403)**	**17,815**	**403**	**18,218**

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

Standards, interpretations and amendments to existing standards applicable in 2011

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

Standards, interpretations and amendments to existing standards early adopted in 2011

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

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

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 1st 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:

(in EUR millions)	Companies consolidated for the first time	Companies removed from the scope of consolidation	Total
Impact on assets			
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
	796	**(52)**	**744**
Impact on equity and liabilities			
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
	87	**(43)**	**44**
"Enterprise value of consolidated companies acquired/divested (a)"	**709**	**(9)**	**700**
Impact on consolidated net debt*			
Impact on cash and cash equivalents	21	(6)	15
Impact on net debt excluding cash and cash equivalents (b)	43	(1)	42
	22	**5**	**27**
"Acquisitions/disposals of shares in consolidated companies net of cash acquired/divested (a) - (b)"	**666**	**(8)**	**658**

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

NOTE 3 Goodwill

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

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

(in EUR millions)	Patents	Non-amortizable brands	Software	Develop-ment costs	Other	Total
At January 1, 2010						
Gross value	114	2,674	737	62	273	3,860
Accumulated amortization and impairment	(98)		(561)	(35)	(168)	(862)
Net	**16**	**2,674**	**176**	**27**	**105**	**2,998**
Movements during the year						
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)
Total movements	**4**	**73**	**(20)**	**(9)**	**21**	**69**
At December 31, 2010						
Gross value	124	2,747	798	60	301	4,030
Accumulated amortization and impairment	(104)		(642)	(42)	(175)	(963)
Net	**20**	**2,747**	**156**	**18**	**126**	**3,067**
Movements during the year						
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)
Total movements	**13**	**31**	**(3)**	**14**	**26**	**81**
At December 31, 2011						
Gross value	141	2,778	834	80	334	4,167
Accumulated amortization and impairment	(108)		(681)	(48)	(182)	(1,019)
Net	**33**	**2,778**	**153**	**32**	**152**	**3,148**

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

(in EUR millions)	Land and quarries	Buildings	Machinery and equipment	Assets under construction	Total
At January 1, 2010					
Gross value	2,188	7,921	19,842	1,034	30,985
Accumulated depreciation and impairment	(350)	(4,021)	(13,304)	(10)	(17,685)
Net	**1,838**	**3,900**	**6,538**	**1,024**	**13,300**
Movements during the year					
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
Total movements	**165**	**105**	**182**	**(25)**	**427**
At December 31, 2010					
Gross value	2,397	8,338	21,047	1,042	32,824
Accumulated depreciation and impairment	(394)	(4,333)	(14,327)	(43)	(19,097)
Net	**2,003**	**4,005**	**6,720**	**999**	**13,727**
Movements during the year					
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
Total movements	**39**	**0**	**(19)**	**478**	**498**
At December 31, 2011					
Gross value	2,462	8,529	21,660	1,518	34,169
Accumulated depreciation and impairment	(420)	(4,524)	(14,959)	(41)	(19,944)
Net	**2,042**	**4,005**	**6,701**	**1,477**	**14,225**

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

(in EUR millions)	2011	2010
At January 1		
Equity in associates	120	105
Goodwill	17	18
Investments in associates	**137**	**123**
Movements during the year		
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
Total movements	**30**	**14**
At December 31		
Equity in associates	129	120
Goodwill	38	17
Investments in associates	**167**	**137**

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

(in EUR millions)	Available-for-sale and other securities	Capitalized loans and deposits	Pension plan surpluses	Total
At January 1, 2010				
Gross value	59	231	96	386
Provisions for impairment in value	(31)	(43)		(74)
Net	**28**	**188**	**96**	**312**
Movements during the year				
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
Total movements	**(3)**	**22**	**(59)**	**(40)**
At December 31, 2010				
Gross value	43	218	37	298
Provisions for impairment in value	(18)	(8)		(26)
Net	**25**	**210**	**37**	**272**
Movements during the year				
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)
Total movements	**4**	**56**	**15**	**75**
At December 31, 2011				
Gross value	48	273	52	373
Provisions for impairment in value	(19)	(7)		(26)
Net	**29**	**266**	**52**	**347**

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

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

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

(in EUR millions)	Dec. 31, 2011	Dec. 31, 2010
Gross value	5,821	5,530
Provisions for impairment in value	(480)	(492)
Trade accounts receivable	**5,341**	**5,038**
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)
Other receivables	**1,408**	**1,248**

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)*
Options outstanding at January 1, 2010	**28,663,342**	**41.23**
Options granted	1,144,730	35.19
Options exercised	(511,541)	32.74
Options forfeited	(547,883)	34.11
Options outstanding at December 31, 2010	**28,748,648**	**41.27**
Options granted	482,150	31.22
Options exercised	(724,853)	33.84
Options forfeited *	(2,706,502)	38.97
Options outstanding at December 31, 2011	**25,799,443**	**41.54**

(*) 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
TOTAL		**19,542,133**			**6,257,310**	**25,799,443**	

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
Plan characteristics			
	Grant date	March 28	March 29
	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
Valuation assumptions			
	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:

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

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: €13 million).

NOTE 14 Provisions for pensions and other employee benefits

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

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

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

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

(in EUR millions)	Pension and other post-employement benefit obligations	Fair value of plan assets	Other	Net pension and post-employment benefit obligations
At January 1, 2010	**7,999**	**(5,384)**	**72**	**2,687**
Movements during the year				
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)
Total movements	**893**	**(840)**	**(34)**	**19**
At December 31, 2010	**8,892**	**(6,224)**	**38**	**2,706**
Movements during the year				
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)
Total movements	**928**	**(369)**	**(32)**	**527**
AT DECEMBER 31, 2011	**9,820**	**(6,593)**	**6**	**3,233**

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

December 31, 2011

(in EUR millions)	France	Other Western European countries	North America	Rest of the World	Net total
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
Net pension and other post-employment benefit obligations					**3,233**

December 31, 2010

(in EUR millions)	France	Other Western European countries	North America	Rest of the World	Net total
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
Net pension and other post-employment benefit obligations					**2,706**

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 €6,593 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:

(in %)	France	Other European countries Euro zone	Other European countries United Kingdom	United States
Discount rate	4.75%	4.75%	4.65%	4.50%
Salary increases	2.40%	1.80% to 2.60%	3.30%	3.00%
Expected return on plan assets	5.00%	4.00% to 5.25%	5.85%	8.75%
Inflation rate	1.80%	1.50% to 2.00%	2.80%	2.10%

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

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

(in EUR millions)	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:

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

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:

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

Income tax expense breaks down as follows:

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

The effective tax rate breaks down as follows:

(in %)	2011	2010
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)
Effective tax rate	**32.7**	**32.3**

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

(in EUR millions)	Net deferred tax liability
At January 1, 2010	**245**
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)
At December 31, 2010	**209**
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
At December 31, 2011	**(56)**

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

(in EUR millions)	Dec. 31, 2011	Dec. 31, 2010
Deferred tax assets	949	700
Deferred tax liabilities	(893)	(909)
Net deferred tax liability	**56**	**(209)**
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
TOTAL	**56**	**(209)**

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

(in EUR millions)	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 contin-gencies	Total provision for other liabilities	Investment related liabilities	Total
At January 1, 2010									
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
Total	**1,365**	**167**	**240**	**82**	**241**	**456**	**2,551**	**136**	**2,687**
Movements during the year									
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
Total movements	**73**	**7**	**(3)**	**10**	**16**	**(57)**	**46**	**22**	**68**
At December 31, 2010									
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
Total	**1,438**	**174**	**237**	**92**	**257**	**399**	**2,597**	**158**	**2,755**
Movements during the year									
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
Total movements	**63**	**(5)**	**(54)**	**(19)**	**(2)**	**(33)**	**(50)**	**171**	**121**
At December 31, 2011									
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
Total	**1,501**	**169**	**183**	**73**	**255**	**366**	**2,547**	**329**	**2,876**

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

(in EUR millions)	Dec. 31, 2011	Dec. 31, 2010
Trade accounts payable	**6,018**	**5,690**
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
Total other payables and accrued expenses	**3,562**	**3,395**

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 counter-party 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 €0.2 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:

(in millions of euro equivalents)	Long	Short
EUR	2	5
USD	5	13
Other currencies	0	2
TOTAL	**7**	**20**

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:

(in EUR millions)	Net gain or loss
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:

(in EUR millions)	December 31, 2011	December 31, 2010
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
Total long-term debt (excluding current portion)	**8,326**	**7,822**
Current portion of long-term debt *	**1,656**	**1,094**
Short-term financing programs (US CP, Euro CP, *Billets de trésorerie*)	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
Short-term debt and bank overdrafts	**1,062**	**1,014**
TOTAL GROSS DEBT	**11,044**	**9,930**
Cash and cash equivalents	(2,949)	(2,762)
TOTAL NET DEBT, INCLUDING ACCRUED INTEREST	**8,095**	**7,168**

(*) 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:

(in EUR millions)	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
TOTAL, EXCLUDING ACCRUED INTEREST		**1,447**	**4,787**	**3,539**	**9,773**

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:

(in EUR millions)	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
Billets de trésorerie	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 Derivatives recorded in assets	Derivatives recorded in liabilities	Total	Fair value at Dec. 31, 2010	Nominal value broken down by maturity at December 31, 2011 Within 1 year	1 to 5 years	Beyond 5 years	Total
Fair value hedges								
Interest rate swaps			0	19	0	0	0	0
Fair value hedges - total	**0**	**0**	**0**	**19**	**0**	**0**	**0**	**0**
Cash flow hedges								
Forward foreign exchange contracts	1	(5)	(4)	2	184	2	0	186
Currency options								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
Cash flow hedges - total	**4**	**(26)**	**(22)**	**(42)**	**1,509**	**2**	**0**	**1,511**
"Derivatives not qualifying for hedge accounting"								
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
Forward foreign exchange contracts	2	(1)	1	0	115	5	0	120
"Derivatives not qualifying for hedge accounting - total"	**8**	**(10)**	**(2)**	**(4)**	**1,809**	**160**	**0**	**1,969**
TOTAL	**12**	**(36)**	**(24)**	**(27)**	**3,318**	**162**	**0**	**3,480**
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:

Internal rate of return on long-term debt

(in %)	Dec. 31, 2011	Dec. 31, 2010
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.

Gross debt denominated in foreign currencies

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

Interest rate repricing schedule for debt

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

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

NOTE 21 Financial assets and liabilities

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

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

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

(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 items 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

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

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:

(in EUR millions)	2011	2010
Operating income	3,441	3,117
Depreciation and amortization	1,511	1,535
EBITDA	**4,952**	**4,652**

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:

(in EUR millions)	2011	2010
Net income attributable to equity holders of the parent	**1,284**	**1,129**
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
Recurring net income attributable to equity holders of the parent	**1,736**	**1,335**

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:

(in EUR millions)	2011	2010
Net income attributable to equity holders of the parent	**1,284**	**1,129**
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
Cash flow from operations	**3,421**	**3,004**
"Tax on capital gains and losses and non-recurring charges to provisions"	(72)	(17)
Cash flow from operations before tax on capital gains and losses and non-recurring charges to provisions	**3,349**	**2,987**

NOTE 25 Earnings per share

The calculation of earnings per share is shown below.

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

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).

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

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:

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

Non-cancelable purchase commitments

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

(in EUR millions)	Total 2011	Payments due Within 1 year	Payments due in 1 to 5 years	Payments due Beyond 5 years	Total 2010
Non-cancelable purchase commitments					
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
TOTAL	**1,603**	**913**	**615**	**75**	**1,054**

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

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

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 CO2 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 the €90 million recorded in 2007. At December 31, 2011, the Group reserve for asbestos-related claims against CertainTeed in the United States amount 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

(in EUR millions)	2011	2010
Assets		
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
Liabilities		
Short-term debt	3	3
Cash advances	0	1
Expenses		
Purchases	11	8
Income		
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:

(in EUR millions)	2011	2010
Assets		
Non-current assets	380	277
Current assets	173	164
Liabilities		
Non-current liabilities	51	22
Current liabilities	107	88
Expenses		
Operating expenses	273	247
Income		
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:

(in EUR millions)	2011	2010
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
TOTAL	**18.1**	**20.6**

(*) Including the impact of €4,6 million 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

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

(*) 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 Distribution	Packaging	Other*	Total
(in EUR millions)	Flat Glass	High Performance Materials	Intra-segment eliminations	Total	Interior Solutions	Exterior Solutions	Intra-segment eliminations	Total				
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 Distri-bution	Packaging	Other*	Total
(in EUR millions)	Flat Glass	High Perfor-mance Materials	Intra-segment elimi-nations	Total	Interior Solutions	Exterior Solutions	Intra-segment elimi-nations	Total				
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		11,030
Non-amortizable brands				0				835	1,912			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

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

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

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.

Principal fully consolidated companies at December 31, 2011		% interest (held directly and indirectly)
INNOVATIVE MATERIALS SECTOR		
Flat glass		
Saint-Gobain Glass France	France	100.00%
Saint-Gobain Sekurit France	France	100.00%
Saint-Gobain Glass Logistics	France	100.00%
Saint-Gobain Sekurit Deutschland GmbH & CO Kg	Germany	99.99%
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%

Principal fully consolidated companies at December 31, 2011		% interest (held directly and indirectly)
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 Cemarksa 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 Canalizaçao Ltda	Brazil	100.00%
Saint-Gobain Xuzhou Pipe Co Ltd	China	100.00%
SG Pipelines Co Ltd	China	100.00%

Principal fully consolidated companies at December 31, 2011		% interest (held directly and indirectly)
BUILDING DISTRIBUTION SECTOR		
Distribution Sanitaire Chauffage	France	100.00%
Lapeyre	France	100.00%
Point.P	France	100.00%
Saint-Gobain Distribucion Construccion, 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.

STATUTORY AUDITORS' REPORT
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 is presented below the opinion on the 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 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 management report and in the documents addressed to shareholders.

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

To the Shareholders,

In compliance with the assignment entrusted to us by your 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.

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.

- *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 types of 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 and in accordance with professional standards applicable in France, we have also verified 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

Pierre Coll Jean-Christophe Georghiou

KPMG Audit
Department of KPMG S.A.

Jean-Paul Vellutini Philippe Grandclerc

FINANCIAL STATEMENTS

OF COMPAGNIE DE SAINT-GOBAIN (parent company)

INCOME STATEMENT

(in EUR thousands)		2011	2010
Operating revenue			
Royalties and license fees		107,351	107,723
Other services		68,951	68,404
Net revenue		**176,302**	**176,127**
Write-backs of depreciation, amortization, impairment and provisions		9,032	9,072
Expense transfers		11,748	3,417
Other operating income		200	214
	TOTAL I	197,282	188,830
Operating expenses			
Other purchases and external charges		(108,417)	(97,426)
Taxes other than on income		(6,873)	(6,106)
Wages and salaries		(43,413)	(40,373)
Payroll taxes		(18,973)	(16,823)
Depreciation, amortization, impairment and provisions		(12,075)	(21,357)
Other operating expense		(2,635)	(2,335)
	TOTAL II	(192,386)	(184,420)
OPERATING INCOME		**4,896**	**4,410**
Share in profits/(losses) of joint ventures			
Profits	TOTAL III		
Losses	TOTAL IV		
Financial income			
Income from investments in subsidiaries and affiliates		825,143	954,057
Income from loans and other investments		628,290	605,390
Income from other non-current investment securities		9	9
Other interest income		47,039	54,258
Write-backs of impairment and provisions, expense transfers		5,054	7,764
Foreign exchange gains		5,818	28,450
Net income from sales of marketable securities		6,467	6,687
	TOTAL V	1,517,820	1,656,615
Financial expense			
Amortization, impairment and provisions		(40,462)	(32,925)
Interest expense		(554,417)	(578,585)
Foreign exchange losses		(3)	(25,247)
Net losses on sales of marketable securities			
	TOTAL VI	(594,882)	(636,757)
NET FINANCIAL INCOME (note 2)		**922,938**	**1,019,858**
INCOME BEFORE TAX AND EXCEPTIONAL ITEMS		**927,834**	**1,024,268**

(in EUR thousands)		2011	2010
Exceptional income			
On revenue transactions		16,435	7,038
On capital transactions		19,808	18,945
Write-backs of depreciation, amortization, impairment and provisions		25,063	4,759
	TOTAL VII	61,306	30,742
Exceptional expense			
On revenue transactions		(7,788)	(8,739)
On capital transactions		(32,596)	(22,842)
Depreciation, amortization, impairment and provisions		(8,758)	(7,157)
	TOTAL VIII	(49,142)	(38,738)
NET EXCEPTIONAL EXPENSE (note 3)		**12,164**	**(7,996)**
INCOME TAXES (note 4)	**TOTAL IX**	**145,386**	**160,637**
Total income		1,776,408	1,876,187
Total expenses		(691,024)	(699,278)
NET INCOME		**1,085,384**	**1,176,909**

BALANCE SHEET AT DECEMBER 31

ASSETS *(in EUR thousands)*	2011 Gross	2011 Depreciation, amortization and impairment	2011 Net	2010
NON-CURRENT ASSETS				
Intangible assets (note 5)				
Goodwill [1]	567	(567)	–	–
Other intangible assets	35,692	(32,402)	3,290	3,089
Intangible assets in progress	11,158		11,158	5,309
Property and equipment (note 6)				
Land	14,538		14,538	14,538
Buildings	17,232	(3,257)	13,975	14,448
Other	10,319	(6,704)	3,615	3,469
Assets under construction	1,382		1,382	753
Financial investments [2] (note 7)				
Investments in subsidiaries and affiliates	12,369,488	(631)	12,368,857	12,368,857
Loans and advances to subsidiaries and affiliates	12,091,057		12,091,057	11,211,770
Other investment securities	377,245	(69,607)	307,638	145,056
Other loans	530,024		530,024	646,921
Other financial investments	486		486	433
TOTAL I	25,459,188	(113,168)	25,346,020	24,414,643
CURRENT ASSETS (note 8)				
Other receivables [3]	2,462,079		2,462,079	2,287,734
Marketable securities	985,330		985,330	1,160,495
Cash and cash equivalents	701,409		701,409	369,495
Accruals				
Prepayments [3]	3,006		3,006	2,255
TOTAL II	4,151,824	–	4,151,824	3,819,979
Deferred charges TOTAL III	135,622	–	135,622	148,693
Translation losses TOTAL IV	–	–	–	–
TOTAL ASSETS	29,746,634	(113,168)	29,633,466	28,383,315
(1) including leasehold rights			–	–
(2) of which due within one year			2,260,883	2,464,133
(3) of which due beyond one year			194	371

SHAREHOLDERS' EQUITY AND LIABILITIES *(in EUR thousands)*		2011	2010
SHAREHOLDERS' EQUITY (note 9)			
Capital stock		2,142,255	2,123,346
Additional paid-in capital		5,705,911	5,568,628
Revaluation reserve		55,532	55,532
Other reserves:			
- Legal reserve [(a)]		214,225	212,335
- Untaxed reserves		2,617,758	2,617,758
- Other reserves		301,428	301,428
Unappropriated retained earnings		3,491,199	2,917,454
Net income for the year		1,085,384	1,176,909
Untaxed provisions (note 11)		13,605	11,240
	TOTAL I	15,627,297	14,984,630
OTHER EQUITY (note 10)			
Non-voting participating securities	TOTAL I bis	170,035	170,035
PROVISIONS (note 11)			
Provisions for contingencies		85,846	102,133
Provisions for charges		80,956	80,795
	TOTAL II	166,802	182,928
LIABILITIES [(1)] (note 12)			
Bonds		8,677,922	7,683,745
Bank borrowings [(2)]		221,084	206,261
Other borrowings		4,668,324	5,073,006
Tax and social charges payable		52,772	52,500
Other payables		38,815	26,638
Accruals			
Deferred income		10,415	3,572
	TOTAL III	13,669,332	13,045,722
Translation gains	TOTAL IV		
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		29,633,466	28,383,315
(a) of which long-term capital gains reserves		14,225	14,225
(1) of which due beyond one year		8,325,893	7,384,838
of which due within one year		5,343,439	5,660,884
(2) of which short-term bank loans and overdrafts		59,519	45,057

CASH FLOW STATEMENT

(in EUR thousands)	2011	2010
Net income	1,085,384	1,176,909
Depreciation and amortization	23,597	33,971
Changes in provisions	(1,778)	5,873
Gains and losses on disposals of assets, net	1,845	2,654
Net cash from operations	1,109,048	1,219,407
(Increase) decrease in other receivables	(174,345)	33,231
(Increase) decrease in deferred charges and prepaid expenses	(8,685)	(127,797)
Increase (decrease) in taxes and social charges payable	272	(40,713)
Increase (decrease) in other payables	19,020	(2,873)
Net change in working capital	(163,738)	(138,152)
Net cash from/(used in) operating activities	945,310	1,081,255
Acquisitions of intangible assets	(7,151)	(4,262)
Acquisitions of property and equipment	(1,800)	(691)
Proceeds from disposals of property and equipment and intangible assets		797
Acquisitions of investments in subsidiaries and affiliates and other investment securities		(9)
Acquisitions of treasury stock	(198,646)	(36,244)
Proceeds from disposals of investments in subsidiaries and affiliates and other investment securities	19,808	18,148
(Increase) decrease in loans and advances to subsidiaries and affiliates	(879,287)	466,607
(Increase) decrease in long-term loans	116,897	32,519
(Increase) decrease in other financial investments	(54)	(105)
Net cash used in investing activities	(950,233)	476,760
Issues of capital stock	158,083	511,121
Dividends paid	(603,165)	(508,700)
Increase (decrease) in provisions for contingencies and charges	2,419	958
Increase (decrease) in short- and long-term debt	687,194	(1,788,419)
Increase (decrease) in bank overdrafts and other short-term debt	(82,876)	(562,947)
Decrease (increase) in marketable securities	175,182	987,253
Increase (decrease) in translation adjustments		–
Net cash from financing activities	336,837	(1,360,734)
Increase (decrease) in cash and cash equivalents	331,914	197,281
Cash and cash equivalents at beginning of year	369,495	172,214
Cash and cash equivalents at end of year	701,409	369,495
Analysis of cash and cash equivalents at December 31		
Cash at bank	701,409	369,495
Cash on hand	0	0
Total	701,409	369,495

NOTES
TO THE PARENT COMPANY FINANCIAL STATEMENTS

The financial statements cover the twelve-month period from January 1 to December 31, 2011.

The following notes form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on February 16, 2012.

NOTE 1 Accounting principles and methods

The financial statements of Compagnie de Saint-Gobain have been drawn up in accordance with the French Chart of Accounts, French law and accounting principles generally accepted in France.

They include the accounts of the Company's German branch.

Intangible assets

Purchased goodwill that is not legally protected is amortized over 25 years. Other intangible assets consist of computer software. They are measured at cost and amortized over a period of three, five or ten years.

Property and equipment

Property and equipment are stated at cost (purchase price plus incidental expenses), except for assets acquired prior to December 31, 1976 which have been revalued.

They are depreciated over their estimated useful lives using the straight-line or declining-balance method. The most commonly used useful lives are as follows:

• Buildings	40 to 50 years	Straight-line
• Improvements and additions	12 years	Straight-line
• Fixtures and fittings	5 to 12 years	Straight-line
• Office furniture	10 years	Straight-line
• Office equipment	5 years	Straight-line
• Vehicles	4 years	Straight-line
• Computer equipment	3 years	Straight-line or declining-balance

Investments in subsidiaries and affiliates, other investment securities and other financial investments

On initial recognition, investments in subsidiaries and affiliates are stated at cost excluding any incidental expenses. They are subsequently measured at the lower of cost and fair value. Fair value is estimated at each balance sheet date based on the Company's equity in the underlying net assets and the proportion of consolidated net assets represented by the investment. Specific impairment tests may be performed on a case-by-case basis, to determine the net present value of future cash flows, excluding interest expense but after tax, based on business plans or long-term budget projections.

No unrealized capital gain is recorded if fair value exceeds cost, and unrealized gains and losses are not offset.

Compagnie de Saint-Gobain shares held by the Company at year-end for allocation upon exercise of stock options are recorded in the balance sheet under "Other investment securities". They are carried at the lower of cost, market price or the option exercise price when it is probable that the options will be exercised.

Receivables

Receivables are stated at the lower of their nominal value and recoverable amount.

Marketable securities

Marketable securities mainly include units in money-market funds (SICAV) and are stated at the lower of cost and market.

Foreign currency transactions

Income and expenses in foreign currencies are recorded at the exchange rate prevailing on the transaction date. Receivables, payables and bank balances in foreign currencies are converted at the year-end exchange rate, along with the related hedging instruments, and the differences arising on translation are recorded in the balance sheet under "Translation gains" or "Translation losses". Provisions are booked for any translation losses that are not hedged.

Risk management/Financial instruments

Liquidity risk is managed with the main objective of ensuring that the Group's existing facilities are rolled over at maturity, while at the same time optimizing annual borrowing costs. For this reason, long-term debt consistently represents a significant proportion of total debt, while repayment profiles are designed to ensure that new debt issues are spread over several years.

Currency, interest rate, and commodity (energy and raw materials) price risks resulting from the Group's international activities are hedged by Compagnie de Saint-Gobain, mainly on behalf of subsidiaries.

Currency risks are hedged mainly by forward purchase and sale contracts and currency options. The hedged receivables and payables are recorded in the balance sheet at the hedging rate.

The portion of the gain or loss on currency options representing the extrinsic (time) value is taken to income, and the portion representing the intrinsic value is recorded in the balance sheet. Unrealized losses on currency options that do not qualify for hedge accounting are recognized in the income statement, whereas unrealized gains are not recognized.

At December 31, 2011, Compagnie de Saint-Gobain had no outstanding currency options.

The Company uses interest rate swaps and options (caps and floors) as well as forward rate agreements to hedge its exposure to fluctuations in interest rates.

Financial income and expenses on interest rate swaps are recognized in the income statement on a symmetrical basis with the income and expenses on the hedged items.

The portion of the gain or loss on interest rate options representing the extrinsic (time) value is taken to income, and the portion representing the intrinsic value is recorded in the balance sheet. Interest rate options that do not qualify for hedge accounting are recognized in the income statement at market value.

Subsidiaries' commodity price risks (energy and raw materials) are hedged by the Company, mainly by using swaps. Financial income and expenses on these swaps are recognized in the income statement on a symmetrical basis with the income and expenses on the hedged items.

Tax consolidation agreements

Compagnie de Saint-Gobain was previously assessed for income tax on its worldwide taxable income as provided for under Article 209 *quinquies* of the French Tax Code. The last period covered by the agreement was 2004-2006. The Company chose not to renew the agreement for the accounting period starting January 1, 2007.

A provision is recorded in the Company's accounts for the taxes that may be payable in future periods following the return to profit of members of the tax group whose tax losses have been used by the Company. Movements in this provision are recorded under exceptional items.

Since January 1, 2007, the Company has applied the group relief regime provided for in Articles 223 A *et seq.* of the French Tax Code.

Under the group relief agreements between Compagnie de Saint-Gobain and the subsidiaries, the subsidiaries record in their accounts the income tax expense or benefit that would have been incurred or received if they had been taxed on a stand-alone basis. Subsidiaries with taxable income transfer to Compagnie de Saint-Gobain the amount that would have been paid to the tax administration. When a loss-making subsidiary leaves the tax group, Compagnie de Saint-Gobain is not required to make any cash payment to them to cover the tax benefits obtained by utilizing their tax losses.

NOTE 2 Net financial income

Net financial income declined by €96.9 million in 2011 to €923 million from €1,019.9 million in 2010, reflecting:
- a €128.9 million decrease in dividends received from subsidiaries;
- a €39.6 million rise in income from loans and investments, net of interest expense;
- a €2.6 million increase in net foreign exchange gains (after the impact of provisions).

Changes in amortization and impairment of financial assets represented a net expense of €35.4 million in 2011. The €10.2 million unfavorable change compared with net expense of €25.2 million in 2010 was due to:
- a €17.8 million increase in provisions, net of reversals, related to Compagnie de Saint-Gobain shares held for allocation on exercise of stock options;
- a €7.5 million decrease in amortization of debt issuance costs and syndicated loan arrangement fees.

NOTE 3 Exceptional income and expense

The Company reported net exceptional income of €12.2 million in 2011, primarily comprising:
- net releases of provisions for taxes in the amount of €19.3 million, including €25 million released following settlement of a tax reassessment – see note 4.

NOTE 4 Income taxes

The Company recorded a net tax benefit of €145.4 million in 2011, corresponding primarily to:

- French group relief of €180.7 million for 2011, net of income tax expense of €25.2 million due by Compagnie de Saint-Gobain on a stand-alone basis;
- a tax reassessment in France for €25 million, entirely offset by the reversal of a provision for the same amount;
- net income tax expense of €12.7 million in France in respect of tax adjustments related to prior years and reversals of deferred tax assets.

The French tax group generated a taxable profit in 2011 and therefore used part of the tax loss carryforwards of the loss-making companies in the group. At December 31, 2011, future tax savings corresponding to unused tax loss carryforwards and research tax credits amounted to €62 million.

The German branch also reported a taxable profit under the Organschaft regime in 2011. At December 31, 2011, future tax savings corresponding to the branch's unused tax loss carryforwards amounted to €8.6 million.

No deferred tax assets have been recorded in the financial statements for these future tax savings.

NOTE 5 Intangible assets

	Intangible assets				Amortization			
(in EUR thousands)	Gross at January 1, 2011	Additions	Disposals	Gross at Dec. 31, 2011	Accumulated at January 1, 2011	Increases	Decreases	Accumulated at Dec. 31, 2011
Purchased goodwill	567	–	–	567	567	–	–	567
Other intangible assets	46,440	1,302	(12,050)	35,692	43,351	1,094	(12,043)	32,402
Greenhouse gas emissions allowances	–	–	–	–	–	–	–	–
Intangible assets in progress	5,309	5,849	–	11,158	–	–	–	–
	52,316	**7,151**	**(12,050)**	**47,417**	**43,918**	**1,094**	**(12,043)**	**32,969**

NOTE 6 Property and equipment

	Property and equipment				Depreciation			
(in EUR thousands)	Gross at January 1, 2011	Additions	Disposals	Gross at Dec. 31, 2011	Accumulated at January 1, 2011	Additions	Disposals	Accumulated at Dec. 31, 2011
Land	14,538	–	–	14,538	–	–	–	–
Buildings	16,850	382	–	17,232	2,402	855	–	3,257
Other	9,912	788	(381)	10,319	6,443	642	(381)	6,704
Assets under construction	753	629	–	1,382	–	–	–	–
Prepayments	–	–	–	–	–	–	–	–
	42,053	**1,799**	**(381)**	**43,471**	**8,845**	**1,497**	**(381)**	**9,961**

NOTE 7 Financial investments

	Financial investments			
(in EUR thousands)	Gross at January 1, 2011	Additions	Disposals	Gross at December 31, 2011
Investments in subsidiaries and affiliates	12,369,488	–	–	12,369,488
Loans and advances to subsidiaries and affiliates	11,211,770	16,881,412	(16,002,125)	12,091,057
Other investment securities	200,244	198,646	(21,645)	377,245
Other loans	646,921	5,223,492	(5,340,389)	530,024
Other financial investments	433	339	(286)	486
	24,428,856	**22,303,889**	**(21,364,445)**	**25,368,300**

Changes in investments in subsidiaries and affiliates

(in EUR thousands)	Additions	Disposals
Purchase of shares in SG Isover G+H AG	Not material	–
TOTAL	**0**	**0**

Analysis of loans, receivables and other financial investments by maturity

(in EUR thousands)	Gross at January 1, 2011	Due Within 1 year	Due Beyond 1 year
Loans and advances to subsidiaries and affiliates	12,091,057	1,730,859	10,360,198
Other loans	530,024	530,024	–
Other financial investments	486	–	486
TOTAL	**12,621,567**	**2,260,883**	**10,360,684**

Changes in other investment securities

(in EUR thousands)	Additions	Disposals
Shares bought back for cancellation	198,646	–
Sales of Compagnie de Saint-Gobain shares	–	(21,644)
Other sales of shares	–	(1)
TOTAL	**198,646**	**(21,645)**

Changes in Compagnie de Saint-Gobain shares held by the Company

	Number of shares held	Gross *(in EUR thousands)*	Net *(in EUR thousands)*
At December 31, 2009	3,948,609	183,839	124,460
Shares purchased in 2010	1,000,000	36,244	36,244
Shares sold in 2010	(461,473)	(20,057)	(15,123)
Shares cancelled in 2010	–	–	–
Adjustments to provision for impairment in value	–	–	(663)
At 31 December 31, 2010	4,487,136	200,026	144,918
Shares purchased in 2011	4,500,000	198,646	198,646
Shares sold in 2011	(496,176)	(21,644)	(16,607)
Shares cancelled in 2011	–	–	–
Adjustments to provision for impairment in value	–	–	(19,456)
At December 31, 2011	8,490,960	377,028	307,501

Of the **8,490,960** shares shown in the table above, 3,990,960 are held in connection with stock option plans and 4,500,000 for the purpose of being canceled.

In 2011, the Company bought back directly on the market 4.5 million shares (versus 1 million shares in 2010) with a par value of €4 each, for a total of €198.6 million, of which €18 million corresponded to the aggregate par value of the shares. Related transaction costs amounted to €119 thousand.

The number of shares sold under stock option plans totaled 496,176 in 2011 compared with 461,473 in 2010.

The Company also holds **406,949** of its own shares in connection with a liquidity agreement (see note 8 "Marketable securities"), bringing the total number of own shares held at December 31, 2011 to **8,897,909.**

Lastly, pursuant to the authorization granted under the 9th resolution of the Annual General Meeting of June 9, 2011, the Company also entered into a forward purchase agreement of **5,940,000 shares** on May 31, 2012, at an average price per share of €33.09 for a total amount of €196,569 thousand (see note 16).

NOTE 8 Current assets

Maturities of receivables reported under "Current assets"

(in EUR thousands)	Gross	Due Within 1 year	Due Beyond 1 year
Other receivables	2,462,079	2,462,072	7
Prepayments	3,006	2,819	187
TOTAL	**2,465,085**	**2,464,891**	**194**
Provisions for doubtful receivables	–	–	–

Analysis of "Other receivables"

(in EUR thousands)	2011	2010
Current account advances to subsidiaries	2,380,971	2,233,952
Income tax prepayments	34,539	11,669
Accounts receivable – Group	29,194	27,739
Prepaid and recoverable taxes	7,250	6,803
Goods and services delivered but not yet invoiced	3,629	3,421
Mark-to-market adjustments to swaps and options (1)	3,057	1,346
Recoverable withholding tax	113	131
Prepayments to suppliers	985	–
Other	2,341	2,673
TOTAL	**2,462,079**	**2,287,734**

(1) Mark-to-market adjustments to swaps and options that represent debit entries are recorded as assets under "Other receivables" and those representing credit entries are recorded as liabilities under "Other payables".

Marketable securities

Marketable securities amounted to €985.3 million at December 31, 2011.

The total included €959.3 million worth of units in money market funds, representing the investment of funds held by the cash pool managed by the Company on behalf of the Group.

On November 16, 2007, the Company entered into a liquidity agreement with Exane BNP Paribas. This agreement complies with the Code of Ethics adopted by the Association Française des Entreprises d'Investissement (AFEI), which is recognized by the Autorité des Marchés Financiers (AMF). It came into effect on December 3, 2007 for an initial period ending on December 31, 2007, since when it has been automatically renewable for successive one-year periods.

The assets held by the Company under the liquidity agreement at December 31, 2011 comprised:
- €13.8 million worth of units in a euro-denominated money market fund, and
- 406,949 Compagnie de Saint-Gobain shares with a carrying value of €12 million.

Marketable securities are valued using the first in-first out (FIFO) method.

During 2011, 5,578,490 shares were purchased under the contract (2010: 5,008,989 shares) and 5,440,041 shares were sold (2010: 4,996,279 shares).

Deferred charges

(in EUR thousands)	2011	2010
Bond issuance costs	116,292	121,542
Syndicated line of credit arrangement fees	19,274	27,044
Other debt issuance costs	56	107
Deferred charges	135,622	148,693

In 2011, new debt issuance costs recorded under "Deferred charges" totaled €13 million and amortization for the year amounted to €26 million.

Refinancing transactions are presented in note 12.

NOTE 9 Shareholders' equity

9.1 Changes in capital stock

Par value at December 31, 2010: 4 euros Par value at December 31, 2011: 4 euros	Number of shares	Amount *(EUR thousands)*
Capital stock at January 1, 2011	530,836,441	2,123,346
Shares issued under the Group Savings Plan on May 17, 2011	4,497,772	17,991
Shares issued under the stock grant plan on December 31, 2011	63	–
Shares issued under the performance share plan on December 31, 2011	770	3
Shares issued upon exercise of stock options on December 31, 2011	228,677	915
Capital stock at December 31, 2011	535,563,723	2,142,255

At December 31, 2011, capital stock amounted to €2,142,255 thousand, represented by **535,563,723** shares of common stock with a par value of €4 each.

9.2 Statement of changes in shareholders' equity

(in EUR thousands)	Amount
Shareholders' equity at December 31, 2010 before appropriation of 2010 net income	14,984,630
Shares issued under the Group Savings Plan on May 17, 2011	150,165
Payment in 2011 of the 2010 dividend	(603,165)
Shares issued upon exercise of stock options on December 31, 2011	7,918
Other changes – adjustments to the revaluation reserve and untaxed provisions	2,365
Net income for 2011	1,085,384
Shareholders' equity at December 31, 2011 before appropriation of 2011 net income	15,627,297

9.3 Main changes in shareholders' equity

The main changes in capital stock and shareholders' equity in 2011 were as follows:

- **Group Savings Plan: a total of 4,497,772 new shares were issued at a price of €33.42.** The issue proceeds amounted to €150,316 thousand (€150,165 thousand net after deducting the issue costs, net of tax, from the premium).

- **63 shares were issued under the stock grant plan and 770 shares under the performance share plan in December.** The shares were paid up by transferring €3 thousand from the additional paid-in capital account to the capital stock account.

- **Stock option plans: a total of 228,677 shares were issued during the year at an average price of €34.63** upon exercise of stock options granted under the 2003, 2004, 2005, 2008 and 2009 plans. The issue proceeds amounted to €7,918 thousand on both a gross and a net basis and the issues were placed on record in December 2011.

As a result of these issues, **capital stock** increased by €18,909 thousand, the **legal reserve** by €1,891 thousand, and **additional paid-in capital** by €137,284 thousand.

Changes in **unappropriated retained earnings** during the year were as follows (in EUR thousands):

• At December 31, 2010 (before appropriation of 2010 net income):	2,917,455
Appropriation of net income (3rd resolution of the AGM of June 9, 2011):	
• Net income for the year	1,176,909
• Less: final dividend taking into account the actual number of own shares held	(603,165)
• At December 31, 2011 (before appropriation of 2011 net income):	3,491,199

9.4 Stock option plans

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

The options are exercisable for Saint-Gobain shares at a price based on the average share price for the 20 trading days preceding the grant date. Since 1999, no discounts on the average price have been granted under these plans.

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

All options granted between 1999 and 2002 were exercisable for existing shares, while those granted between 2003 and 2007 were exercisable for new shares. As of 2008, the origin of the shares will be determined at the latest at the end of the four-year vesting period. If an option holder were to die or any of the events provided for in the General Tax Code were to occur during the four-year vesting period, only options exercisable for new shares would vest.

Until 2008, only options granted to certain categories of grantees were subject to performance conditions. The 2009, 2010 and 2011 plans are exclusively performance stock option plans.

For options granted under the 2011 plan, the value used to calculate the 14% *contribution sociale* tax due by grantees employed by French companies in the Group is €1.67 per option.

The following table presents changes in the number of outstanding options:

	€4 par value shares	Average exercise price *(in EUR)*
Options outstanding at December 31, 2009	28,663,342	41.23
Options granted	1,144,730	35.19
Options exercised	(511,541)	32.74
Options forfeited	(547,883)	34.11
Options outstanding at December 31, 2010	28,748,648	41.27
Options granted	482,150	31.22
Options exercised	(724,853)	33.84
Options forfeited*	(2,706,502)	38.97
Options outstanding at December 31, 2011	25,799,443	41.54

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

The following table presents information about stock options outstanding at December 31, 2011:

Grant date	Exercisable options			Options not yet 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	See note § 9.4
2009	–	–	95	36.34	1,479,060	1,479,060	See note § 9.4
2010	–	–	107	35.19	1,144,730	1,144,730	See note § 9.4
2011	–	–	119	31.22	482,150	482,150	See note § 9.4
TOTAL	–	19,542,133	–	–	6,257,310	25,799,443	–

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.

9.5 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. Eligibility was based on the grantee's period of service with the Group and on a performance criterion.

In all, **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 (potential number of shares to be delivered: 430,150). 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 other countries, the vesting period will end on March 30, 2014 and the shares will be delivered on March 31, 2014 (potential number of shares to be delivered: 929,810). No lock-up period will apply.

- **A performance share plan for certain eligible managers and senior executives of the Saint-Gobain Group in France and abroad authorized by the Board of Directors on November 19, 2009.** Eligibility was based on the grantee's period of service with the Group and on a performance criterion.

In all, **622,790** performance shares may vest under the plan, as follows:
- for eligible Group managers and senior executives in France, the vesting period will end on March 29, 2012

and the shares will be delivered on March 30, 2012 (potential number of shares to be delivered: 260,400). 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 managers and senior executives outside France, the vesting period will end on March 30, 2014 and the shares will be delivered on March 31, 2014 (potential number of shares to be delivered: 362,390). No lock-up period will apply.

- **A performance share plan for certain eligible managers and senior executives of the Saint-Gobain Group in France and abroad authorized by the Board of Directors on November 18, 2010.** Eligibility was based on the grantee's period of service with the Group and on a performance criterion.

In all, **737,550** performance shares may vest under the plan, as follows:
- for eligible Group managers and senior executives in France, the vesting period will end on March 29, 2013 and the shares will be delivered on March 30, 2013 (potential number of shares to be delivered: 325,060). 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 managers and senior executives outside France, the vesting period will end on March 30, 2015 and the shares will be delivered on March 31, 2015 (potential number of shares to be delivered: 412,490). No lock-up period will apply.

- **A performance share plan for certain eligible managers and senior executives of the Saint-Gobain Group in France and abroad authorized by the Board of Directors on November 24, 2011.** Eligibility was based on the grantee's period of service with the Group and on a performance criterion.

In all, **942,920** performance shares may vest under the plan, as follows:
- for eligible Group managers and senior executives in France, the vesting period will end on March 29, 2014 and the shares will be delivered on March 30, 2014 (potential number of shares to be delivered: 415,560). The vesting period will be followed by a two-year lock-up, such that the shares may not be sold until March 31, 2016 except in the case of the grantee's death or disability,
- for eligible Group managers and senior executives outside France, the vesting period will end on March 30, 2016 and the shares will be delivered on March 31, 2016 (potential number of shares to be delivered: 527,360). No lock-up period will apply.

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

	Number of rights
Number of performance share rights at December 31, 2009	1,982,750
- performance share rights granted in November 2010	737,550
- shares that vested during the period	0
- rights that expired or were forfeited during the period	0
Number of performance share rights at December 31, 2010	2,720,300
- performance share rights granted in November 2011	942,920
- shares that vested during the period	(833)
- rights that expired or were forfeited during the period	0
Number of performance share rights at December 31, 2011	3,662,387

The following table shows the expected dates when vested performance shares will be issued/delivered, except in the case of the grantee's death or disability or departure from the Group before the end of the vesting period:

Grant date	Number of rights at Dec. 31, 2011	End of the vesting period March 2012	March 2013	March 2014	March 2015	March 2016
19/11/2009	1,359,897	430,108		929,789		
19/11/2009	622,290	260,400		361,890		
18/11/2010	737,280		325,060		412,220	
24/11/2011	942,920			415,560		527,360
TOTAL	3,662,387	690,508	325,060	1,707,239	412,220	527,360

9.6 Compagnie de Saint-Gobain Group Savings Plan (PEG)

The PEG Group Savings Plan is an employee stock purchase plan open to all Group employees in France and in most other countries where the Group does business. Eligible employees must have completed at least three months' service with the Group. The purchase price of the shares, as set by the Chief Executive Officer on behalf of the Board of Directors, corresponds to the average of the opening share prices quoted over the 20 trading days preceding the pricing date less a 20% discount. The shares are subject to a five or ten-year lock-up, at the choice of employees. During the lock-up period the shares may be held directly or through the PEG corporate mutual fund. They may not be sold during this period except in the case of exceptional events.

In 2011, 4,497,772 shares with a par value of €4 were issued to employees under the Group Savings Plan at an average price of €33.42 (2010: 4,993,989 shares at an average price of €28.70).

9.7 Potential number of shares

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 this authorization as follows:

- on November 19, 2009 to grant 1,982,750 performance shares and 1,479,460 stock options (see notes 9.4 and 9.5);
- on November 18, 2010 to grant 737,550 performance shares and 1,144,730 stock options (see notes 9.4 and 9.5);
- on November 24, 2011 to grant 942,920 performance shares and 482,150 stock options (see notes 9.4 and 9.5).

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 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 €530.8 million worth of stock (excluding premiums), representing 132.7 million shares.

NOTE 10 Other equity

Non-voting participating securities

In the 1980s, Compagnie de Saint-Gobain issued 1,288,299 non-voting participating securities indexed to the average bond rate (TMO) and 194,633 non-voting participating securities indexed to Euribor (with a floor rate). These securities are not redeemable and the remuneration paid to investors is qualified as interest expense.

Some of these securities have been 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.

The interest paid on the 606,883 TMO-indexed securities consists of a fixed portion and a variable portion based on the Group's earnings, subject to a cap of 1.25 times the TMO. Interest on the 77,516 Euribor-indexed securities is payable at a fixed rate of 7.5% on 60% of the securities' face value and at a variable rate on the remaining 40%. The variable rate is based on the prior year's consolidated net income and is subject to a cap and a floor.

Net interest paid on participating securities for 2011 came to €8.9 million (2010: €7.9 million).

NOTE 11 Provisions

(in EUR thousands)	At January 1, 2011	Charge for the year	Write-backs of utilized provisions	Write-backs of surplus provisions	Other (transfers)	At December 31, 2011
Untaxed provisions						
Reinvested capital gains	6,427					6,427
Other	4,813	2,598	(233)			7,178
	11,240	2,598	(233)	0	0	13,605
Provisions for contingencies						
Provisions for taxes	98,603	5,712	(25,354)		2,964	81,925
Provisions for stock options	0					0
Provisions for other contingencies	3,530	631	(36)		(204)	3,921
	102,133	6,343	(25,390)	0	2,760	85,846
Provisions for charges						
Provisions for pensions and other post-employment benefit obligations (1)	80,295	9,478	(9,007)		(295)	80,471
Other provisions for charges	500	55	(24)		(46)	485
	80,795	9,533	(9,031)	0	(341)	80,956
Provisions for impairment						
Investments in subsidiaries and affiliates	631					631
Other investment securities	55,188	19,456	(5,037)			69,607
Doubtful receivables	0					0
Marketable securities	17		(17)			0
	55,836	19,456	(5,054)	0	0	70,238
Impact on operating income		8,821	(8,907)			
Impact on net financial income		19,456	(5,054)			
Impact on exceptional items		8,991	(25,294)			

(1) The Company's obligations with respect to supplementary pension plans and other post-employment benefits are measured using the projected unit credit method based on end-of-career salaries and employees' vested rights at the measurement date.
Actuarial gains and losses arising in the year under defined benefit plans are recognized immediately in the income statement.
The discount rate used was 4.75% in 2011 and 2010.

NOTE 12 Debt and payables

Total debt and payables increased by a net amount of €623 million to €13,669 million at December 31, 2011. Bond debt increased by €994 million, bank borrowings by €15 million and other payables and deferred income by €18 million, while other borrowings decreased by €404 million.

Maturities of debt and payables

(in EUR thousands)	Total	Due Within 1 year	Due Beyond 1 year
Bonds (1)	8,677,922	1,410,801	7,267,121
Bank borrowings (1) and (2)	221,084	66,084	155,000
Other borrowings (1) and (3)	4,668,324	3,770,288	898,036
Sub-total Debt	13,567,330	5,247,173	8,320,157
Tax and social charges payable	52,772	52,772	–
Other payables (3)	38,815	38,815	–
Deferred income	10,415	4,679	5,736
Total payables (4)	13,669,332	5,343,439	8,325,893
(1) New debt for the year Debt repaid during the year	1,889,965 1,264,021		
(2) Of which: – debt with original maturity of up to two years – debt with original maturity of more than two years	 66,084 155,000		
(3) Of which: – shareholders' loans – new loans from subsidiaries – loans from subsidiaries repaid during the year	 None 0 306,000		
(4) Of which debt due beyond 5 years	1,892,361		

Analysis of long- and short-term debt

(in EUR thousands)	2011	2010
Medium and long-term debt		
Long-term portion		
Due between January 1 and December 31		
- 2012		1,255,000
- 2013	1,755,441	1,335,441
- 2014	1,163,202	
- 2015	1,000,000	
- 2016 and beyond	4,368,305	4,760,267
No fixed maturity	33,209	33,314
Total long- and medium-term debt excluding short-term portion	8,320,157	7,384,022
Short-term portion	1,438,085	1,687,026
Total	9,758,242	9,071,048
Short-term debt		
Borrowings from Group entities	3,666,008	3,840,847
Bank overdrafts and other short-term borrowings	59,519	45,057
Other	83,561	6,060
Total	3,809,088	3,891,964
TOTAL LONG- AND SHORT-TERM DEBT	13,567,330	12,963,012

Long-term debt can be analyzed as follows by currency:

(in EUR thousands)	2011	2010
Euro	9,031,030	8,365,474
US dollars	5,374	5,070
Pounds sterling	721,838	700,504
TOTAL	**9,758,242**	**9,071,048**

Debt issuance costs are amortized over the life of the debt, from the issue date. These costs are recorded in assets, under "Deferred charges" (see note 8).

12.1 Perpetual bonds

In 1985, Compagnie de Saint-Gobain issued €125 million worth of perpetual bonds – 25,000 bonds with a face value of €5,000 – paying interest at a variable rate indexed to Euribor. These securities are not redeemable and the remuneration paid to investors is qualified as interest expense.

At December 31, 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.

12.2 Main changes in long- and short-term debt in 2011

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 €1,000 million 4-year 3.5% tranche, and
- a €750 million 8-year 4.5% tranche.

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.

12.3 Financing programs

Compagnie de Saint-Gobain 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	Issue period	Authorized program at December 31, 2011	Outstanding issues at December 31, 2011	Outstanding issues at December 31, 2010
Medium Term Notes	EUR	1 to 30 years	12,000 million	7,951	6,201
US Commercial Paper	USD	up to 12 months	1,000 million (*)	0	0
Euro Commercial Paper	USD	up to 12 months	1,000 million (*)	0	0
Billets de trésorerie	EUR	Up to 12 months	3,000 million	76	0

(*) Equivalent to €773 million based on the exchange rate at 31 December 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.

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 was extended until June 2013 and the amount reduced to €1 billion.

The €1 billion facility agreement includes a covenant stipulating that the ratio of consolidated net debt to consolidated operating income, excluding depreciation and amortization of property, plant and equipment and intangible assets, 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 was obtained in December 2010.
The facility agreement does not include any covenants.

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

NOTE 13 Related party transactions

13.1 Transactions with related companies

(in EUR thousands)	Net amount concerning Related companies [1]	Other Investees [2]	Other companies	Net balance sheet amount at December 31, 2011
Balance sheet items				
Investments in subsidiaries and affiliates	12,368,591	266		12,368,857
Loans and advances to subsidiaries and affiliates	12,091,057			12,091,057
Other investment securities	307,501	137		307,638
Loans	337,085		192,939	530,024
Other receivables	2,417,564	95	44,420	2,462,079
Marketable securities	11,992		973,338	985,330
Cash and cash equivalents			701,409	701,409
Bonds			8,677,922	8,677,922
Bank borrowings			221,084	221,084
Other borrowings	4,582,923	2,686	82,715	4,668,324
Tax and social charges payable			52,772	52,772
Other payables	13,997		24,818	38,815
Income statement items				
Income from investments in subsidiaries and affiliates	825,234	(91)		825,143
Income from loans and other investments	628,283	7		628,290
Other interest income	4,302		42,737	47,039
Interest expense	68,856	34	485,527	554,417

(1) Fully consolidated companies.
(2) Companies that are not fully consolidated.

13.2 Transactions with other related parties

There are no material transactions with other related parties not entered into on arm's length terms.

NOTE 14 Investment portfolio

	Country	Net book value	% interest	Number of shares
Spafi	France	5,329,623	100.00	236,864,161
Partidis	France	2,065,919	100.00	78,262,892
Saint-Gobain Matériaux de Construction	France	1,723,712	100.00	85,916,100
Vertec	France	891,039	100.00	11,775,479
Saint-Gobain Benelux	Belgium	812,344	100.00	3,296,475
Saint-Gobain do Brasil	Brazil	220,001	55.31	78,404,824
Saint-Gobain Cristaleria	Spain	211,220	16.35	3,659,866
Saint-Gobain Building Distribution Deutschland	Germany	194,609	100.00	100,000,000
Saint-Gobain Glass Benelux SA	Belgium	160,880	16.19	1,667,698
Saint-Gobain Isover G+H AG	Germany	153,800	99.91	3,200,000
Saint-Gobain Vetrotex Deutschland GmbH	Germany	153,669	100.00	45,000,000
Saint-Gobain Glass Deutschland GmbH	Germany	86,660	60.00	120,000,000
Saint-Gobain Autoglas GmbH	Germany	72,833	60.00	120,000,000
Saint-Gobain Vidros SA	Brazil	67,181	99.96	209,374,623
Saint-Gobain Emballage	France	61,553	20.52	331,964
Saint-Gobain Schleifmittel-Beteiligungen GmbH	Germany	61,151	100.00	20,000,000
SEPR	France	53,310	25.73	407,600
Saint-Gobain PAM	France	30,733	8.10	360,255
Saint-Gobain Nederland	Netherlands	13,621	100.00	66,100
SCI Ile de France	France	3,428	–	–
Miscellaneous French companies		471	–	–
Miscellaneous foreign companies		1,100	–	–
Investments in subsidiaries and affiliates		12,368,857		
Cie de Saint-Gobain (treasury stock)	France	108,855	–	3,990,960
Cie de Saint-Gobain (treasury stock held for cancellation)	France	198,646	–	4,500,000
Miscellaneous French companies		137	–	–
Other investment securities		307,638	–	–
TOTAL		12,676,495	–	–

NOTE 15 Information about direct investments in subsidiaries and affiliates with a carrying amount representing over 1% of the company's capital stock

Companies *(in thousands of euros or local currency)*	Capital stock	Reserves	% interest	Book value of shares held Gross *(EUR k)*	Net *(EUR k)*	Loans and advances granted by the Company *(EUR k)*	Guarantees given by the Company *(EUR k)*	2011 net sales	2011 net income (loss)	Dividends received in 2011 *(EUR k)*
1 - SUBSIDIARIES At least 50%-owned by Compagnie de Saint-Gobain										(1)
Spafi 18. avenue d'Alsace 92400 Courbevoie	EURk 2,842,370	EURk 3,900,907	100.00	5,329,623	5,329,623	-		EURk 232	EURk 426,302	360,034
Partidis 18. avenue d'Alsace 92400 Courbevoie	EURk 1,193,509	EURk 537,346	100.00	2,065,919	2,065,919	1,050,000		EURk 5,760	EURk 69,551	187,048
S.G. Matériaux de Construction 18. avenue d'Alsace 92400 Courbevoie	EURk 1,310,221	EURk (551,118)	100.00	1,723,712	1,723,712	4,545,145		EURk 26,655	EURk (254,890)	-
Vertec 18. avenue d'Alsace 92400 Courbevoie	EURk 188,408	EURk 942,146	100.00	891,039	891,039	-		EURk -	EURk 135,549	200,183
Saint-Gobain Benelux Boulevard de la Plaine 5 B 1050 Bruxelles	EURk 812,345	EURk 54,412	100.00	812,344	812,344	-		EURk -	EURk 37,959	-
Saint-Gobain Building Distrib Deutsch Hanauer Landstrasse 150 D-60314 Frankfurt am Main	EURk 100,000	EURk 94,600	100.00	194,609	194,609	-		EURk 1,315,079	EURk (2,949)	(2,949)
S. G. Glass Benelux SA Rue des Glaces Nationales. 169 B-5060 Sambreville	EURk 388,300	EURk 51,606	16.19	160,880	160,880	-		EURk 114,576	EURk (14,948)	-
S. G. Isover G+H AG Burgermeister-Grünzweig Strasse 1 D-67059 Ludwigshafen	EURk 82,000	EURk 11,291	99.91	153,800	153,800	-		EURk 376,694	EURk 20,005	20,005
S. G. Vetrotex Deutschland GmbH Bicheroux Strasse 61 D-52134 Herzogenrath	EURk 23,008	EURk 139,936	100.00	153,669	153,669	-		EURk -	EURk 11,657	11,657
S. G. Glass Deutschland GmbH Viktoria - Allee 3-5 D-52066 Aachen	EURk 102,258	EURk 35,889	60.00	87,197	86,660	-		EURk 396,339	EURk 10,661	6,617
S G Do Brasil 482. avenida Santa Marina Agua Branca 05036-903 São Paulo-SP (Brazil)	BRLk 1,417,564	BRLk 11,999	55.31	220,001	220,001	-		BRLk 2,798,829	BRLk 262,191	18,003
Saint-Gobain Autoglas GmbH Viktoria - Allee 3-5 D-52066 Aachen	EURk 102,258	EURk 19,130	60.00	72,833	72,833	-		EURk -	EURk (13,525)	(15,611)
Saint-Gobain Schleifmittel-Beteiligungen GmbH Viktoria - Allee 3-5 D-52066 Aachen	EURk 10,226	EURk 50,925	100.00	61,151	61,151	-		EURk -	EURk (2,444)	(2,444)
Saint-Gobain Vidros SA 482, avenida Santa Marina Agua Branca 05036-903 São Paulo-SP (Brazil)	BRLk 371,159	BRLk 1,554	99.96	67,181	67,181	-		BRLk 519,140	BRLk 22,486	5,130

(1) The amount shown for subsidiaries of the German branch corresponds to 2011 profit or loss transferred under the group relief system.

Companies *(in thousands of euros or local currency)*	Capital stock	Reserves	% interest	Book value of shares held Gross *(EUR k)*	Net *(EUR k)*	Loans and advances granted by the Company *(EUR k)*	Guarantees given by the Company *(EUR k)*	2011 net sales	2011 net income (loss)	Dividends received in 2011 *(EUR k)*
2 - AFFILIATES 10% to 50%-owned by Compagnie de Saint-Gobain										**(1)**
S. G. Cristaleria Edificio Ederra Centro Azca Paseo de la Castellana 77 28046 Madrid	EURk 134,512	EURk 732,026	16.35	211,220	211,220	385,163		EURk 465,006	EURk 147,379	-
Saint-Gobain Emballage 18. avenue d'Alsace 92400 Courbevoie	EURk 42,069	EURk 431,627	20.52	61,553	61,553	-		EURk 661,640	EURk 113,574	30,066
SEPR 18. avenue d'Alsace 92400 Courbevoie	EURk 63,361	EURk 936	25.73	53,310	53,310	7,000		EURk 145,701	EURk 38,851	-
OTHER COMPANIES										
Subsidiaries (over 50%-owned)										
Total French companies				3,900	3,900					715
Total foreign companies				14,045	14,045					(102)
Affiliates (10% to 50%-owned)										
Total French companies										–
Total foreign companies				648	648					
Other investments				**31,071**	**30,897**					**6,801**
Treasury stock				**178,382**	**108,855**					
Treasury stock held for cancellation				**198,646**	**198,646**					
TOTAL				**12,746,733**	**12,676,495**	**5,987,308**	**-**			**825,153**

(1) The amount shown for subsidiaries of the German branch corresponds to 2011 profit or loss transferred under the group relief system.

NOTE 16 Off-balance sheet commitments

Off-balance sheet commitments given on behalf of consolidated companies

Off-balance sheet commitments given on behalf of consolidated companies	Date	Counterparty	2011 amount *(EURk)*	2010 amount *(EURk)*
Commitment related to the fine levied on the Flat Glass business by the European Commission (see note 19 Litigation § 19.2)	Indefinite	BNP Paribas/ Société Générale/ Calyon	1,028,228	981,188
Saint-Gobain Receivable Corporation receivables securitization program	Indefinite	Citibank	176,521	213,008
Guarantee given on behalf of Saint-Gobain Isover (electricity purchases)	December 31, 2025	Exeltium	34,890	36,000
Commitment to employees of the German companies in the Group (early-retirement plan)	December 30, 2015	Sparkasse Aachen	11,753	12,256
Commitments given other members of economic interest groupings (GIE)	Indefinite	Other GIE members	3,668	5,656
Employee-related commitments in Germany (guarantee fund)	2011	Eigene Bursch	190	4,017
Other commitments given	multiple	multiple	96	97

Financing-related off-balance sheet commitments

Financing-related off-balance sheet commitments given	Date	Counterparty	2011 amount *(EURk)*	2010 amount *(EURk)*
Guarantee for Saint-Gobain Nederland bond issue	May 25, 2014	BNP Paribas	500,848	500,848
Liquidity agreement guarantee	January 2012	Exane	878	1,244
Euro equivalent of forward foreign currency sale contracts	multiple	multiple	907	673
Euro equivalent of foreign currencies payable under currency swaps	multiple	multiple	1,876	1,553
Financing-related off-balance sheet commitments received	**Date**	**Counterparty**	**2011 amount *(EURk)***	**2010 amount *(EURk)***
Liquidity agreement commitment received	January 2012	Exane	956	1,284
Euro equivalent of forward foreign currency purchase contracts	multiple	multiple	907	674
Euro equivalent of foreign currencies receivable under currency swaps	multiple	multiple	1,872	1,547
2009-2013 undrawn line of credit	June 15, 2013	Calyon	1,000,000	1,000,000
2010-2015 undrawn line of credit	December 8, 2015	Calyon	3,000,000	3,000,000

Financing-related off-balance sheet commitments given and received	Date	Counterparty	2011 amount *(EURk)*	2010 amount *(EURk)*
Interest rate swaps Variable rate borrower/Fixed rate lender	multiple	multiple		1,250,000
Interest rate swaps Fixed rate borrower/Variable rate lender	multiple	multiple	1,250,000	1,250,000
Interest rate swaps Variable rate borrower/Variable rate lender	multiple	multiple	155,000	155,000
Commodity swaps Fixed rate buyer/Variable rate seller	multiple	multiple	46,459	55,261
Commodity swaps Variable rate buyer/Fixed rate seller	multiple	multiple	46,459	55,261

Operations-related off-balance sheet commitments

Operations-related off-balance sheet commitments given and received	Date	Counterparty	2011 amount *(EURk)*	2010 amount *(EURk)*
Forward purchases of Compagnie de Saint-Gobain shares	May 31, 2012	multiple	196,569	

Tax reassessments are covered by provisions recorded in the balance sheet. In exchange for a stay of payment of the additional tax claimed, Compagnie de Saint-Gobain has obtained tax bonds from its banks in the amount of €3,750 thousand. In addition, the tax administration has been granted liens on assets in the amount of €36,422 thousand, of which €32,276 is expected to be lifted.

NOTE 17 Fees paid to the Statutory Auditors

The total fees (excluding VAT) paid and payable to the auditors for 2011, as reflected in the income statement, include:

- statutory audit fees of €1,250 thousand;
- fees for audit-related advice and services of €1,134 thousand.

NOTE 18 Employees

Number of employees

	2011	2010
Paris Head Office (Les Miroirs)		
Managers	174	172
Supervisors	43	45
Administrative staff	7	7
Total	224	224
of which employees under fixed-term contracts	12	13

	2011	2010
German branch		
Managers	63	61
Supervisors	120	118
Administrative staff	1	1
Total	184	180
of which employees under fixed-term contracts	4	6

Statutory training entitlement

Unused vested training entitlements under Act no. 2004.391 of March 4, 2004 relating to lifelong learning amounted to 17,755 hours at December 31, 2011, representing an estimated cost of €362 thousand.

Management compensation

Compensation received by the Group's directors and officers directly and indirectly from Group companies within and outside France totaled €13.9 million in 2011 (2010: €10.9 million), including variable bonuses of €4.7 million (2010: €3.2 million) and termination benefits of €1.3 million (2010: €0).

Pensions and other post-employment benefits (defined benefit obligations in respect of retirement bonuses and annuities) accruing to the Group's directors and officers totaled €46.7 million at December 31, 2011.

Attendance fees paid to directors for 2011 totaled €0.8 million (2010: €0.8 million). Other compensation paid to directors – corresponding to pension benefits – amounted to €0.6 million in 2011 (2010: €0.3 million).

NOTE 19 Litigation

19.1 Asbestos-related 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 some €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 six 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 five cases, 39 were being investigated – including 33 pending before the Social Security courts, four before the Courts of Appeal and two before the Court of Cassation – and eight had been completed in terms of liability but not in terms of quantum, of which five pending before the Courts of Appeal and three before the Social Security Court. The final seven 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 that 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 fairly 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 and 8,000 in 2009, 2008 and 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 them 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 involving CertainTeed. This amount is less than the €97 million recorded in 2010, higher than the €75 million recorded in 2009 and 2008, and identical to the €90 million recorded in 2007. At December 31, 2011, the Group reserve for asbestos-related claims against CertainTeed in the United States amounted to €389 million (USD 504 million), compared with €375 million (USD 501 million) at December 31, 2010, €347 million (USD 500 million) at December 31, 2009, €361 million (USD 502 million) at December 31, 2008 and €321 million (USD 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 (USD 82 million) compared to €78 million (USD 103 million) in 2010, €55 million (USD 77 million) in 2009, €48 million (USD 71 million) in 2008 and €53 million (USD 73 million) in 2007.

Asbestos-related litigation in Brazil

In Brazil, former Group employees suffering from asbestos-related occupational illness are offered either exclusively financial compensation or lifetime medical assistance combined with financial compensation. Only a small number of asbestos-related lawsuits 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.

19.2 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. It is carried in the accounts of Saint-Gobain Sekurit France and Saint-Gobain Sekurit Deutschland Gmbh.

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

NOTE 20 Subsequent events

No material events have occurred since the balance sheet date.

STATUTORY AUDITORS' REPORT
ON THE 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 is presented below the opinion on the 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 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 management report and in the documents addressed to shareholders.

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

To the Shareholders,

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

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

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

I - Opinion on the financial statements

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

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2011, and of the results of its operations for the year then ended in accordance with French accounting principles.

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:

As described in note 1 to the financial statements relating to accounting principles and methods, the Company carries out impairment tests on a yearly basis for its financial investments, investments in subsidiaries and affiliates and other investment securities. Based on the information available at the time of our audit, we assessed the approach used by the Company and ensured that the estimates made by the Company at December 31, 2011 were reasonable.

These assessments were made as part of our audit of the 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 verifications and information

In accordance with professional standards applicable in France, we have also performed the specific verifications required by law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L.225-102-1 of the French Commercial Code *(Code de Commerce)* relating to remuneration and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of shareholders has been properly disclosed in the management report.

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

MANAGEMENT REPORT

FINANCIAL STATEMENTS OF COMPAGNIE DE SAINT-GOBAIN (*)

Compagnie de Saint-Gobain ended 2011 with net income of €1,085.4 million (2010: €1,176.9 million), consisting mainly of dividends from subsidiaries and affiliates in the amount of €825.1 million (2010: €954.1 million).

Shareholders' equity before appropriation of income for the year totaled €15,627.3 million at December 31, 2011 (December 31, 2010: €14,984.6 million).

Significant events of the year

Share issues

- On May 17, capital stock was increased by €150.1 million following the issue of 4,497,772 shares to employees at a price of €33.42 through the Group Savings Plan.

- On June 16, the Company paid dividends representing a total payout of €603.2 million.

Financing programs

As part of the strategy to refinance and extend the average life of Group debt and reduce borrowing costs, during 2011 Compagnie de Saint-Gobain carried out the following financing transactions:
- 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 €1,000 million 4-year 3.5% tranche, and
  - a €750 million 8-year 4.5% tranche.

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.

Other compulsory disclosures

Trade accounts payable at December 31, 2011 and 2010 by due date are as follows (disclosure made in application of Article D.441-4):

(in EUR thousands)	2011	2010
Total trade accounts payable	12,965	9,353
- Of which past due	*1,860*	*656*
- Of which not yet due	*11,105*	*8,697*
Of which due in 60 days	*11,068*	*8,671*
Of which due beyond 60 days	*37*	*26*

Compagnie de Saint-Gobain pays supplier invoices on a timely basis. The only invoices not paid on time are disputed invoices for which a credit note is pending and invoices received late.

(*) Based on French GAAP – see the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

(in EUR thousands)	2011	2010	2009	2008	2007
1 - Capital stock at year-end					
Capital stock	2,142,255	2,123,346	2,051,724	1,530,288	1,496,865
Number of common shares outstanding	535,563,723	530,836,441	512,931,016	382,571,985	374,216,152
2 - Results of operations					
Net sales	176,302	176,128	171,655	199,301	191,669
Income before tax, depreciation, amortization and provisions	962,144	1,056,117	908,322	1,119,557	591,916
Income tax	145,386	160,637	150,254	160,471	260,296
Net income	1,085,384	1,176,909	1,038,013	1,263,527	871,150
Total dividend	(1) 653,135	(2) 603,165	(3) 508,701	(4) 486,009	(5) 766,732
3 - Earnings per share (in EUR)					
Earnings per share before tax, depreciation, amortization and provisions	1.80	1.99	1.77	2.93	1.58
Net earnings per share	2.03	2.22	2.02	3.30	2.33
Net dividend per share	1.24	1.15	1.00	1.00	2.05
4 - Employee information (6)					
Average number of employees during the year	224	224	224	228	232
Total payroll for the year	29,664	26,796	21,302	26,082	28,682
Total benefits for the year	17,276	15,145	13,569	16,081	16,258

(1) Based on 535,563,723 shares (capital stock at December 31, 2011) less 8,841,729 treasury shares held at January 31, 2012.

(2) Based on 530,836,441 shares (capital stock at December 31, 2010) less 6,345,091 treasury shares held on the dividend payment date, i.e. 524,491,350 shares net.

(3) Based on 512,931,016 shares (capital stock at December 31, 2009) less 4,230,266 treasury shares held on the dividend payment date, i.e. 508,700,750 shares net.

(4) Based on 382,571,985 shares (capital stock at December 31, 2008) plus 108,017,212 shares issued on March 23, 2009 less 4,580,419 treasury shares held on the dividend payment date, i.e. 486,008,778 shares net.

(5) Reflecting an €8,641 thousand uplift following the sale of 15,146 shares out of treasury stock between March 1 and June 19, 2008 (ex-dividend date) and the May 15, 2008 issue of 4,199,902 shares carrying dividend rights as from January 1, 2007 under the leveraged Group Savings Plan.

(6) Employee numbers only include staff at the Company's head office and exclude the German branch.

MAIN SUBSIDIARIES, BY COUNTRY AND DELEGATION

All of the subsidiaries are wholly owned, unless otherwise stated.
Amounts are converted to euros at the average exchange rate for 2011.

FRANCE

Saint-Gobain Glass France: flat glass and flat glass products. Sales: €283.7 million. Employees: 917.
Subsidiaries:
- Saint-Gobain Produits Industriels (SGPI), M.O. Pays de Loire, M.O. Armorique, Miroiterie du Rhin, Société Verrière Française (SVF), Sovedys, Sivaq, SGGS Menuisiers Industriels, SG Solar Systems FR, SG Glass Solutions Paris-Normandie, SG Glass Solutions Sud-Ouest, Charles André, Société Verrière de l'Atlantique (SVA), Le Vitrage du Midi (LVM), Gobba Vitrage, Vitrages Isolants d'Auvergne, Alp'Verre, Verrerie Aurys, Pierre Pradel, Wehr Miroiterie, Techniverre. Construction glass products manufacturing and distribution. Employees of the subsidiaries: 2,719.
- Eurokera (50%). Employees: 129.
- Keraglass (50%): glass ceramic hobs. Employees: 104.
- Saint-Gobain Sovis: tempered glass for household appliances, industrial and scientific optics, anti-radiation glass. Employees: 92.
- Verrerie de Saint-Just: decorative glass. Employees: 39.
- Saint-Gobain Sully: flat glass for the train and aircraft industries. Employees: 463.
- Saint-Gobain Glass Logistics: transport.
- Saint-Gobain Recherche (34.5% owned by SG Glass and wholly owned by the Group): glass and building materials research center. Employees: 458.
- Samin: quarry operator. Employees: 125.

Eurofloat: float glass. Employees: 195.

Saint-Gobain Sekurit France: automotive glass products. Sales: €208.6 million. Employees: 748. These figures include Société Verrière d'Encapsulation: encapsulated automotive glass. Subsidiary:
- Saint-Gobain Autover: automotive glass products manufacturing and distribution. Sales: €30.1 million. Employees: 89.

SEPR - Société Européenne des Produits Réfractaires: fused-cast refractory products used mainly for glass furnaces and various special ceramic products (pellets, grains and powders). Sales: €145.7 million. Employees: 813.
Subsidiaries:
- Savoie Réfractaires: special refractories. Sales: €37.4 million. Employees: 184.
- Saint-Gobain Cristaux et Détecteurs: optical crystals and artificial monocrystals for chemical analyses. Sales: €23.4 million. Employees: 121.
- Saint-Gobain Matériaux Céramiques: seeded gel abrasives. Sales: €15.4 million. Employees: 21. Subsidiary: Saint-Gobain Coating Solutions. Sales: €11.9 million. Employees: 23.
- Saint-Gobain Centre de Recherche et d'Etudes Européennes: European ceramics research center. Employees: 220.
- Valoref SA: recycling.

Saint-Gobain Performance Plastics Europe: holding company. Subsidiaries:
- Saint-Gobain Quartz SAS: silica parts for the chemical industry, silica crucibles and reactor tubes for the semiconductor industry, silica wool and yarn for the space industry, Micaver insulating materials, piezoelectric ceramics. Sales: €11.8 million. Employees: 64.
- Saint-Gobain Performance Plastics France: manufacture and sale of high-performance plastics. Sales: €46.1 million. Employees: 313
- Saint-Gobain Adfors France. Sales: €17.3 million. Employees: 13.
- Saint-Gobain Matériaux Innovants. Employees: 121.

Saint-Gobain Abrasifs (France): coated abrasives, grinding wheels and superabrasives. Sales: €150.6 million. Employees: 534.

Saint-Gobain Isover: glass wool and stone wool insulation products. Sales: €376.6 million. Employees: 942.
Subsidiaries:
- Saint-Gobain Eurocoustic: stone wool insulation products and roof tiles. Sales: €59.6 million. Employees: 183.
- Saint-Gobain Ecophon SA: acoustic ceilings. Sales: €7.2 million. Employees: 29.
- Plafométal: metal ceilings. Sales: €30.6 million. Employees: 92.

Placoplatre: plaster, plasterboard, insulation products and ceiling tiles. Sales: €602.3 million. Employees: 1,663.

Saint-Gobain Matériaux de Construction: holding company. Subsidiary:
- Saint-Gobain Weber: industrial mortars. Sales: €2.4 billion. Employees: 10,050. These figures include Weber and Maxit's subsidiaries in 48 countries, including countries that are listed below.

Saint-Gobain PAM: ductile cast-iron pipes and hydraulic connectors for water-supply, irrigation and sewer networks; cast-iron products for the building industry. Sales: €796.7 million. Employees: 2,674.
Subsidiary:
- Saint-Gobain Seva: industrial equipment, glass molds, fiberglass plates for insulation, door fittings. Sales: €59.8 million. Employees: 296.

Partidis: building materials distribution. Sales: €8.4 billion. Employees: 33,116. Subsidiaries:
- Point.P: France, Belgium. Building materials distribution through:
  - 11 regional companies (Brittany, Central France, Eastern France, Paris region, Loire region, Languedoc Midi-Pyrénées, Northern France, Normandy, Provence-Alpes-Côte d'Azur, Rhône-Alpes, South-West France);
  - 7 national companies (DSC, DAI, Asturienne, DMBP, PUM Plastiques, DMTP, Eurobéton) and a company in Belgium.
- La Plateforme du Bâtiment: 49 platforms in France, 1,742 sales outlets (1,730 sustainable in France and 12 in Belgium).
- Lapeyre: distribution of sustainable home improvement products under the following brands: Lapeyre-La Maison, DISTRILAP, K par K, GIMM, Cougnaud, Cordier, Lagrange, Poreaux, Pastural et Technifen (France), Contrumega-Megacenter (Brazil), 182 sales outlets (134 in France, 7 in Belgium, 3 in Switzerland and 38 in Brazil).

Saint-Gobain Emballage: glass containers (bottles and industrial jars). Sales: €661.4 million. Employees: 1,883. Subsidiaries:
- VOA Verrerie d'Albi: glass containers (bottles). Sales: €97.4 million. Employees: 327.
- Saga Décor: decoration of bottles and jars. Sales: €17.6 million. Employees: 127.

Verallia: holding company.

Spafi: holding company.

Vertec: holding company.

CENTRAL AND NORTHERN EUROPE

Germany

Saint-Gobain Glass Deutschland GmbH: flat glass and flat glass products. Sales: €405.2 million. Employees: 985.

Saint-Gobain Deutsche Glas GmbH: holding company controlling various companies active in construction glass products manufacturing and distribution.
Sales: €303.7 million (including subsidiaries).
Employees: 1,630 (including subsidiaries).

Saint-Gobain Sekurit Deutschland Beteiligungen GmbH: management company for Saint-Gobain Sekurit Deutschland KG and other equity interests.
Subsidiaries:
- Saint-Gobain Autover Deutschland GmbH which itself owns Freudenberger Autoglas GmbH.
- Faba Autoglas Technik GmbH: automotive glass products.

Saint-Gobain Sekurit Deutschland KG: automotive glass. Sales: €259.8 million. Employees: 1,347. These figures include those of Faba Autoglas Technik KG: laminated and tempered glass extrusion.

Saint-Gobain Autover Deutschland: replacement glass. Sales: €61 million. Employees: 165.

Avancis Gmbh and CO KG: photovoltaic modules. Employees: 397.

SEPR Keramik GmbH & CO KG: holding company. Subsidiaries:
- Saint-Gobain Performance Plastics Isofluor GmbH: fluoropolymer pipes. Sales: €9.7 million. Employees: 81. Subsidiaries:
  - Saint-Gobain Performance Plastics Pampus GmbH: high-performance plastics for the medical and automobile industries, industrial equipment. Sales: €77.8 million. Employees: 335;
  - Saint-Gobain PPL MG Sil. Sales: €13 million. Employees: 103.
- Saint-Gobain IndustrieKeramik Düsseldorf: refractory products. Sales: €9.8 million. Employees: 43.
- Saint-Gobain IndustrieKeramik Roedental: high-performance refractory products. Sales: €79.6 million. Employees: 715.
- Saint-Gobain Performance Plastics Cologne. Sales: €7.5 million. Employees: 7.
- Saint-Gobain Ceramic Materials GmbH. Sales: €38.3 million. Employees: 43.

Saint-Gobain Schleifmittel GmbH/Saint-Gobain Abrasifs GmbH: industrial superabrasives and grinding wheels. Sales: €144.3 million. Employees: 749.

Saint-Gobain Isover G + H Aktiengesellschaft: mineral fibers and foams for thermal and acoustic insulation and fireproofing. Sales: €376.7 million. Employees: 1,194. These figures include Superglass Dammstoffe GmbH: insulating materials distribution.

Rigips GmbH: plaster, plasterboard, insulation products and ceiling tiles. Sales: €276.3 million. Employees: 758.

Saint-Gobain PAM Deutschland GmbH: pipe systems for the building industry. Holding company. Sales: €117.2 million. Employees: 354.
Subsidiary:
- Saint-Gobain HES Gmbh: ductile cast-iron pipes. Sales: €33.7 million. Employees: 29.

Saint-Gobain Building Distribution Deutschland GmbH: building materials distribution (254 outlets). Sales: €2 billion. Employees: 5,422.

Schäfer: roofing materials distribution.

Saint-Gobain Oberland AG (96.7%) listed on the Frankfurt, Munich and Stuttgart Stock Exchanges: Glass containers (bottles and industrial jars). Sales: €364 million. Employees: 1,425. Subsidiary:
- GPS Glas Produktions Service: machines for the glass containers industry. Sales: €24.6 million. Employees: 85.

Austria

Eckelt Glas GmbH: flat glass products. Sales: €38.6 million. Employees: 216.

Glas Ziegler: Sales: €23.9 million. Employees: 121.

Saint-Gobain Adfors Austria GmbH: paintable glass fabrics. Sales: €15 million. Employees: 74.

Saint-Gobain Isover Austria AG: insulating materials. Sales: €45.1 million. Employees: 182.

Rigips Austria GmbH: plaster, plasterboard, insulation products and ceiling tiles. Sales: €66.3 million. Employees: 253.

Belgium

Saint-Gobain Glass Benelux SA: flat glass and flat glass products. Sales: €115.2 million. Employees: 324.
Subsidiaries:
- Hanin Miroiterie.
- Techniver. Sales: €9.7 million.
- Saint-Gobain Glass Solutions Belgium. Sales: €73.2 million.

Employees of subsidiaries: 458.

Saint-Gobain Sekurit Benelux SA: automotive glass products. Sales: €54.3 million. Employees: 258.
Subsidiary:
- Saint-Gobain Autover Distribution SA.

Sales: €104.4 million. Employees: 97.

Saint-Gobain Autover: replacement glass. Sales: €9.3 million. Employees: 19.

Saint-Gobain Abrasives NV: Sales: €11 million. Employees: 17.

Saint-Gobain Matériaux Céramiques Benelux SA: silicon carbide and corundum for the refractory and abrasives industries. Sales: €41.3 million. Employees: 27.

Saint-Gobain Performance Plastics Chaineux SA and Saint-Gobain Performance Plastics Kontich NV: manufacture and sale of high-performance plastics. Sales: €44.7 million. Employees: 207.

Saint-Gobain Construction Products Belgium NV: plaster, plasterboard and insulation products. Sales: €137.1 million. Employees: 207.

Saint-Gobain Pipe Systems Belgium. Sales: €40.5 million. Employees: 28.

Luxembourg

Saint-Gobain Abrasives SA (Luxembourg): diamond-tipped tools, disks and drills, asphalt cutters for the construction and civil engineering industries. Sales: €22.7 million. Employees: 103.

Saint-Gobain Solar Systems SA Luxembourg: solar solutions. Employees: 37.

Netherlands

Sas Van Gent Glasfabriek BV: reflective glass, enameled glass and tempered glass. Sales: €14.8 million. Employees: 89.

Koninklijke Saint-Gobain Glass NV: construction glass products manufacturing and distribution. Sales: €101.4 million. Employees: 437 (including subsidiaries).

Saint-Gobain Autover International BV: replacement automotive glass distribution. Sales: €30.8 million. Employees: 36.

Saint-Gobain Abrasives Nederland: holding company.
Subsidiary:
- Saint-Gobain Abrasives BV: thin grinding wheels and coated abrasives. Sales: €105.9 million. Employees: 241.

Saint-Gobain Nederlands Glass Materials: Sales: €16.7 million. Employees: 59.

Saint-Gobain Construction Products Nederland BV: plaster, plasterboard and insulation products. Sales: €135.6 million. Employees: 334.

Saint-Gobain Ecophon BV: acoustic ceilings. Employees: 18.

Saint-Gobain Cultilène BV: glass wool and stone wool products for hydroponic (soil-less) cultivation. Sales: €32.3 million. Employees: 62.

Saint-Gobain Distribution The Netherlands BV: building materials distribution in the Netherlands (46 outlets). Sales: €397.8 million. Employees: 1,065.

Galvano Groothandel BV: plumbing and heating supplies distribution. Sales: €65.9 million. Employees: 138.

Van Keulen: interior solutions and fitted kitchens. Sales: €23.2 million. Employees: 69.

Saint-Gobain Nederland Beheer BV: holding company.

Saint-Gobain Nederland BV: finance company.

Denmark

€1 = DKK 7.451

Saint-Gobain Glass Nordic A/S: insulating and tempered glass. Sales: €29 million. Employees: 163.

Saint-Gobain Isover A/S: insulation products. Sales: €47.4 million. Employees: 207.

Saint-Gobain Ecophon A/S: acoustic products. Sales: €3.8 million. Employees: 17.

Gyproc A/S: plasterboard and ceiling tiles. Sales: €39.6 million. Employees: 144.

Finland

Saint-Gobain Glass Finland Oy: construction and automotive glass products manufacturing and distribution. Sales: €23.4 million. Employees: 143.

Saint-Gobain Construction Products Finland: plaster, insulation products, acoustic products. Sales: €119.4 million. Employees: 387.

Saint-Gobain Pipe Systems Oy: pipe systems. Sales: €13.9 million. Employees: 32.

Norway

€1 = NOK 7.793

Saint-Gobain Böckmann A/S: insulating glass and replacement glass. Sales: €70.9 million. Employees: 364.

Saint-Gobain Ceramic Materials A/S: silicon carbide products. Sales: €84.5 million. Employees: 216.

Gyproc A/S: plaster and plasterboard products. Sales: €33.6 million. Employees: 74.

Saint-Gobain Byggevarer A/S: pipe systems and industrial mortars. Sales: €125.6 million. Employees: 280.

Optimera A/S: building materials distribution (76 outlets). Sales: €676.3 million. Employees: 2,190.

Sweden

€1 = SEK 9.027

Saint-Gobain Emmaboda Glas AB: insulating and tempered glass. Sales: €37 million. Employees: 158.

Saint-Gobain Sekurit Scandinavia AB: tempered and laminated automotive glass. Sales: €62.7 million. Employees: 145.

Saint-Gobain Autover Direktglas AB: replacement glass. Sales: €21.6 million. Employees: 72.

Saint-Gobain Abrasives AB: abrasives. Sales: €19.5 million. Employees: 25.

Gyproc AB: plaster and plasterboard products. Sales: €47.3 million. Employees: 117.

Scanpac: plaster. Sales: €27.8 million. Employees: 52.

Saint-Gobain Isover AB: insulation products. Sales: €102.8 million. Employees: 384.

Saint-Gobain Ecophon AB: acoustic ceilings. Sales: €167.4 million. Employees: 393.

Saint-Gobain Distribution Nordic AB: plumbing and heating supplies distribution under the Dahl brand in Sweden, Norway, Denmark, Finland, Romania and Estonia (325 outlets). Sales: €2.8 billion. Employees: 5,294.

Estonia

€1 = EEK 15.647

Saint-Gobain Glass Eesti A/S: replacement windshields, construction glass products manufacturing and distribution. Sales: €55.4 million. Employees: 435. This company also has operations in Lithuania.

Saint-Gobain Ehitustooted Eesti A/S: insulation products, plasterboard and industrial mortars. Sales: €22.4 million. Employees: 54.

Optimera Estonia: building materials distribution (16 outlets). Sales: €56.3 million. Employees: 441.

Latvia

€1 = LVL 0.706

SIA-Saint-Gobain Celtniecibas Produkti: insulation products, plasterboard and industrial mortars. Sales: €8.4 million. Employees: 24.

Lithuania

€1 = LTL 3.453

UAB Saint-Gobain Statybos Gaminiai: insulation products, plasterboard and industrial mortars. Sales: €11.1 million. Employees: 56.

EASTERN EUROPE

Bulgaria

€1 = BGL 1.956

Saint-Gobain Construction Product Eood: plaster, plasterboard, insulation products and industrial mortars. Sales: €12 million. Employees: 91.

Hungary

€1 = HUF 279.306

Saint-Gobain Construction Product Hungaria: plaster, plasterboard, insulation products and industrial mortars. Sales: €38.5 million. Employees: 219.

Saint-Gobain Distribution of Construction Materials Hungary: building materials distribution (29 outlets). Sales: €42.6 million. Employees: 307.

Poland

€1 = PLN 4.118

Saint-Gobain Glass Polska sp zoo: flat glass and photovoltaic glass. Sales: €154.9 million. Employees: 639. Subsidiary:
- Saint-Gobain Euroveder Polska: glass products for household appliances, photovoltaic glass. Sales: €19.1 million. Employees: 243.

Glaspol sp zoo: construction glass and furniture glass products manufacturing and distribution. Sales: €76.9 million. Employees: 719.

Saint-Gobain Sekurit Hanglas Polska sp zoo: automotive and other transportation glass. Sales: €175.3 million. Employees: 1,507.

Saint-Gobain HPM Polska sp zoo: glass veil, high-performance plastics and abrasive grinding wheels. Sales: €101.7 million. Employees: 882.

Saint-Gobain Construction Products Polska: plaster, plasterboard, insulation products, ceiling tiles, piping systems and industrial mortars. Sales: €196.8 million. Employees: 918.

Saint-Gobain Dystrybucja Budowlana sp zoo: building materials distribution (113 outlets). Sales: €252.8 million. Employees: 1,289.

Czech Republic

€1 = CZK 24.591

Saint-Gobain Sekurit CR Spol S.R.O.: laminated glass for the automotive industry. Sales: €71.2 million. Employees: 577.

Saint-Gobain Adfors CZ S.R.O.: Sales: €189.8 million. Employees: 1,458 (including subsidiaries).

Saint-Gobain Abrasives S.R.O.: abrasives distribution. Sales: €10 million. Employees: 32.

Rigips S.R.O.: plaster, plasterboard, insulation products and ceiling tiles. Sales: €23.2 million. Employees: 108.

Saint-Gobain Isover Cz S.R.O: stone wool insulating materials. Sales: €79 million. Employees: 344.

Saint-Gobain PAM Cz S.R.O: foundry. Sales: €23.8 million. Employees: 140.

Saint-Gobain Building Distribution CZ. AS: building material, tile and bathroom fittings distribution (60 outlets). Sales: €124.6 million. Employees: 696.

Romania

€1 = RON 4.238

Saint-Gobain Glass Romania SRL: flat glass. Sales: €65.6 million. Employees: 248.

Saint-Gobain Construction Products Romania SRL: plaster, plasterboard and stone wool manufacturing, pipe distribution, industrial mortars manufacturing and marketing. Sales: €62 million. Employees: 537.

Slovakia

Nitrasklo A. S and Venisklo Spol S.R.O. construction glass products manufacturing and distribution. Sales: €14.4 million. Employees: 109.

Saint-Gobain Construction Products Slovakia: manufacturing of plaster, plasterboard, insulation and ceiling tile products, pipe distribution, industrial mortars manufacturing and marketing. Sales: €56 million. Employees: 242.

W.A.W. Spol S.R.O.: tile and bathroom fittings distribution (11 outlets). Sales: €7.7 million. Employees: 67.

RUSSIA, UKRAINE AND CIS COUNTRIES

Russia

€1 = RUB 40.877

Saint-Gobain Construction Products Russia: insulation products, plaster, plasterboard and industrial mortars. Sales: €124.8 million. Employees: 605.

Zao Zavod Minplita. Sales: €17.4 million. Employees: 508.

Kavminsteklo Zao (95.6%): glass containers. Sales: €42.2 million. Employees: 675.

Kamyshinsky Steklotarny (95.5%): glass containers. Sales: €43.8 million. Employees: 672.

Ukraine

€1 = UAH 11.115

Saint-Gobain Construction Products Ukraine: insulation products, plaster and plasterboard. Sales: €10.2 million. Employees: 45.

Consumers Sklo Zorya (96.7%): glass containers. Sales: €43.8 million. Employees: 542.

SPAIN, PORTUGAL, MOROCCO AND ALGERIA

Spain

Saint-Gobain Cristaleria SA: construction glass, automotive glass, insulation materials (glass wool and stone wool) and photovoltaic glass. Sales: €422.4 million. Employees: 1,252. Subsidiaries:
- Saint-Gobain Autover: replacement automotive glass distribution.
- Saint-Gobain Glass Solarcontrol SL.
- Saint-Gobain Wanner: thermal and acoustic insulation. Sales: €25.3 million. Employees: 212.
- Industrias del Cuarzo (Incusa): sand quarry. Sales: €15.2 million. Employees: 46.
- La Venecia Iberiaglass S.L. Sales: €36.1 million. Employees: 219.

La Veneciana: flat glass product and mirror glass manufacturing, distribution and installation. Sales: €44.4 million. Employees: 200.

Saint-Gobain Abrasivos: abrasive grinding wheels. Sales: €31.8 million. Employees: 130.

Saint-Gobain Performance Plastics España: manufacture and sale of high-performance plastics. Sales: €5.3 million. Employees: 43.

Saint-Gobain Adfors España. Sales: €10 million. Employees: 62.

Saint-Gobain Placo Iberica SA: plasterboard. Sales: €124.4 million. Employees: 589.

SG Transformados: mineral wool transformation and production for the acoustic and hydroponics markets. Sales: €9.8 million. Employees: 42.

Saint-Gobain PAM España SA: ductile cast-iron pipes. Sales: €70.7 million. Employees: 249.
Subsidiary:
- Saniplast: distribution of pipes and accessories. Sales: €45.6 million. Employees: 171.

Saint-Gobain Vicasa SA: Glass containers (bottles and industrial jars). Sales: €313.4 million. Employees: 1,027. These figures include Saint-Gobain Montblanc SA: glass containers. Subsidiary:
- Vidrieras Canarias (41.03%): glass containers. Sales: €25.5 million. Employees: 84.

Portugal

Saint-Gobain Glass Portugal Vidro Plano SA: construction glass, construction glass products, glass for household appliances. Sales: €54.6 million. Employees: 45. Subsidiary:
- Covipor-CIA Vidreira do Norte, Covilis and EVI-Pruducao de Energia: construction glass products. Sales: €46.1 million. Employees: 132.

Saint-Gobain Sekurit Portugal Vidro Automovel SA: automotive glass products. Sales: €62 million. Employees: 236. Subsidiary:
- Saint-Gobain Autover Portugal (60%): replacement automotive glass distribution. Sales: €10.6 million. Employees: 88.

Saint-Gobain Abrasivos Lda: abrasives distribution. Sales: €6.2 million. Employees: 30.

Saint-Gobain PAM Portugal SA: pipe distribution. Sales: €23.9 million. Employees: 18.

Saint-Gobain Mondego SA: glass containers (bottles and industrial jars). Sales: €85.8 million. Employees: 234.

Morocco

€1 = 11.261 MAD

Saint-Gobain Abrasivos Lda (85%): abrasives distribution. Sales: €10.3 million. Employees: 107.

Algeria

€1 = 101.601 DZD

Alver SPA (99.4%): glass containers. Employees: 428.

UNITED KINGDOM, REPUBLIC OF IRELAND AND SOUTH AFRICA

United Kingdom

€1 = GBP 0.868

Solaglas Ltd: construction glass products manufacturing and distribution (tempered glass, laminated glass, mirrors, insulating glass). Network of 20 sites, including 8 production facilities, throughout the UK. Sales: €134 million. Employees: 1,122.

Saint-Gobain Ceramics & Plastics Plc: holding company. Subsidiaries:
- Saint-Gobain Industrial Ceramics Ltd: high-temperature insulating fiber and refractory products. Sales: €9.6 million. Employees: 58.
- Saint-Gobain Performance Plastics Corby and Saint-Gobain Performance Plastics Tygaflor Ltd: heat-resistant hose, tubing and bundles for beverage-dispensing applications. Sales: €19.1 million. Employees: 46.

Rencol Tolerance Rings Ltd.
Sales: €16.3 million. Employees: 120.

Saint-Gobain Abrasives Ltd. Sales: €46.6 million. Employees: 228. Bonded and coated abrasives, superabrasives (through various subsidiaries).

British Plaster Board (BPB Plc): plasterboard, construction plaster, other specialty plasters and insulation products. Sales: €510.2 million. Employees: 1,541 (including subsidiaries).

Saint-Gobain Ecophon Ltd: acoustic products. Sales: €7.6 million. Employees: 43.

Saint-Gobain PAM Ltd: ductile cast-iron pipes and hydraulic connectors for water and sewer networks; hydraulic valves; cast-iron and steel municipal castings, cast-iron construction products. Sales: €87.7 million. Employees: 383.

Saint-Gobain Building Distribution Ltd: building materials distribution (1,015 outlets in the United Kingdom and the Republic of Ireland). Sales: €2.4 billion. Employees: 12,561 (including subsidiaries).

Saint-Gobain Plc: holding company. Subsidiaries:
- Saint-Gobain Glass UK Ltd: flat glass and flat glass products. Sales: €98.3 million. Employees: 198.
- Saint-Gobain Technical Fabrics UK Ltd.

Republic of Ireland

Saint-Gobain Performance Plastics Ireland: PTFE and silicone-coated fabrics, adhesive tapes. Sales: €21.8 million. Employees: 71.

Gypsum Industries Ltd Ireland: plaster, plasterboard, ceiling tiles, insulation products. Sales: €54.9 million. Employees: 148.

South Africa

€1 = ZAR 10.093

Saint-Gobain Abrasives Pty Ltd: coated abrasives, superabrasives, grinding wheels. Sales: €6.1 million. Employees: 147.

Saint-Gobain Construction Products South Africa Ltd.: manufacturing of plaster, plasterboard, ceiling tiles, pipe systems and industrial mortars, manufacturing and marketing of insulation products. Sales: €140 million. Employees: 1,016.

Donn South Africa Ltd (66.7%): plasterboard and ceiling tiles. Sales: €25.1 million. Employees: 94.

Saint-Gobain Pipelines South Africa: cast-iron parts. Sales: €17.8 million. Employees: 207.

ITALY, GREECE, EGYPT & TURKEY

Italy

Saint-Gobain Glass Italia SpA: flat glass and flat glass products. Sales: €90.7 million. Employees: 271.
Subsidiary:
- Flovetro SpA (50%): float glass and float glass products. Sales: €15.3 million. Employees: 48.

Saint-Gobain Sekurit Italia S.R.L: automotive glass products. Sales: €46.6 million. Employees: 145.
Subsidiaries:
- S.G. Autover Italia S.R.L.
- S.G. Sicurglass S.R.L.
- Sicurglass Sud. Combined sales of the three subsidiaries: €64.8 million. Employees: 302.

Saint-Gobain Euroveder Italia SpA: tempered glass for household appliances. Sales: €21.6 million. Employees: 141.

Saint-Gobain Abrasivi SpA: abrasive grinding wheels. Sales: €84.1 million. Employees: 334.

SEPR Italia SpA: fused-cast refractory products. Sales: €23.5 million. Employees: 153.

Saint-Gobain Adfors Italia: manufacturing. Sales: €6.2 million. Employees: 25.

Saint-Gobain PPC Italia SpA: insulation products and sealing products (roofing materials, fiberglass mat siding), plaster, plasterboard, ceiling tiles and industrial mortars. Sales: €267.2 million. Employees: 728.

Saint-Gobain PAM Italia SpA: ductile cast-iron pipes. Sales: €54.3 million. Employees: 94.

Vemac S.R.L: building materials distribution (11 outlets). Sales: €46.7 million. Employees: 168.

Di-Trani: building materials distribution. Sales: €13.3 million. Employees: 39.

Saint-Gobain Vetri SpA: glass containers (bottles and industrial jars). Sales: €531.2 million. Employees: 1,206. These figures include Ecoglass: cullet collection and processing.

Greece

Autover Hellas.
Sales: €5.4 million. Employees: 34.

Saint-Gobain Hellas ABEE: plaster manufacturing and marketing and pipe distribution. Sales: €13 million. Employees: 60.

Egypt

€1 = EGP 8.275

Saint-Gobain Glass Egypt (83.4%): flat glass and flat glass products. Employees: 288.

BPB Placo Egypt for Industrial Investments Sae: plaster. Employees: 383.

Turkey

€1 = TRY 2.335

Doğaner Alci Madencilik Enerji: Plasterboard products. Sales: €8.4 million. Employees: 93.

Izocam (47.5%): glass wool and stone wool. Sales: €60 million. Employees: 208.

Saint-Gobain Rigips Alci: plaster. Sales: €16.2 million. Employees: 95.

Saint-Gobain Weber Yapi: industrial mortars. Sales: €44.3 million. Employees: 230.

OTHER EUROPEAN COUNTRIES

Switzerland

€1 = CHF 1.234

Vetrotech Saint-Gobain International AG: glass ceramic hobs and construction glass. Sales: €153 million. Employees: 358.

Rasta AG: abrasives (thin grinding wheels). Sales: €16.2 million. Employees: 19.

Saint-Gobain Isover SA: insulation products manufacturing and marketing, fiberglass reinforcements distribution. Sales: €56 million. Employees: 167.

Rigips AG: plaster, plasterboard, insulation products and ceiling tiles. Sales: €68.9 million. Employees: 168.

KBS AG: industrial mortars. Sales: €30.9 million. Employees: 36.

Sanitas Troesch AG: fitted bathrooms and kitchens distribution (32 outlets). Sales: €496.5 million. Employees: 983.

International Saint-Gobain: holding company.

NORTH AMERICA

United States

€1 = USD 1.392

Saint-Gobain Corporation: holding company.

CertainTeed Corporation: insulation products and building materials, including:
- roofing shingles for the homebuilding and renovation market;
- roofing products for the commercial building market;
- siding;
- roofing granules;
- PVC pipe and exterior products (fencing, decking and railings). Subsidiary:
- Ecophon C.T.T.: acoustic ceiling distribution.

Sales: €2 billion. Employees: 4,485.
CertainTeed Corporation sales and employees include Certain Teed Reinforcement Glass Materials, Ecophon C.T.T. Bird Inc. and GS Roofing.

Saint-Gobain Glass Corporation: holding company.
Subsidiary:
- Saint-Gobain Sekurit USA Inc., HCS Corporation, Vetrotech Saint-Gobain North America Inc. Total sales by the subgroup: €30.1 million. Employees: 60.

Sage Electrochromics Inc. (64.8%): electrochromic glass. Employees: 64.

Saint-Gobain Autover Inc: replacement glass. Total sales by the subgroup: €10.6 million. Employees: 18.

Eurokera North America (50%): glass ceramic hobs. Sales: €20.6 million. Employees: 52.

Saint-Gobain Abrasives. Inc.: bonded abrasives, coated abrasives and superabrasives. Sales: €553.2 million. Employees: 2,917. These figures include Saint-Gobain Universal Superabrasives, Inc. and its main subsidiaries in the United States, Canada, Mexico and New Zealand.

Saint-Gobain Ceramics & Plastics. Inc.: technical ceramics, chemical process products, high-performance plastics, fused-cast refractory products, special ceramic grains and silicon carbide products. Sales: €1.1 billion. Employees: 4,252.

Saint-Gobain Adfors America: industrial reinforcements. Sales: €86.2 million. Employees: 324.

Norandex Building Materials Distribution: building materials distribution (105 outlets), vinyl siding production. Sales: €282.7 million. Employees: 825.

Meyer International Inc.: Sales: €37 million. Employees: 182.

CertainTeed Gypsum & Ceillings USA: plaster, plaster-board and ceiling tiles. Sales: €214.3 million. Employees: 701.

Saint-Gobain Containers. Inc.: glass containers (bottles and jars). Sales: €1.1 billion. Employees: 4,313. Subsidiary:
- GPS America. Sales: €23.2 million. Employees: 61.

Canada

€1 = CAD 1.376

Saint-Gobain Adfors Canada Ltd: industrial door and window parts. Sales: €10.6 million. Employees: 52.

SG Ceramics Materials Canada Inc.: abrasive grains. Sales: €21.1 million. Employees: 35.

Decoustics: acoustic products. Sales: €19.3 million. Employees: 105.

CertainTeed Gypsum Canada. Inc.: plasterboard. Sales: €192.6 million. Employees: 549.

CertainTeed Insulation: insulation products. Sales: €36.2 million. Employees: 225.

MEXICO, COLOMBIA, EQUADOR, PERU AND VENEZUELA – CENTRAL AMERICA

Mexico

€1 = MXN 17.278

Saint-Gobain Mexico: flat glass and flat glass products, automotive glass and tempered glass for household appliances. Sales: €225 million. Employees: 1,342.

Saint-Gobain America (Mexico): insect screens and coated abrasives. Sales: €68.3 million. Employees: 909.

Saint-Gobain Gypsum SA de CV: Sales: €8 million. Employees: 85.

Colombia

€1 = COP 2.570

Saint-Gobain Sekurit de Colombia (94.9%): automotive and construction glass. Sales: €31.6 million. Employees: 340.

Productora de Abrasivos: coated abrasives and grinding wheels. Sales: €17.7 million. Employees: 85.

FiberGlass Colombia: glass wool for the building and manufacturing industries. Sales: €22.6 million. Employees: 193.

PAM Colombia SA: water supply pipe distribution. Sales: €9.9 million. Employees: 10.

Venezuela

€1 = VEF 5.978

Saint-Gobain Sekurit: encapsulated automotive glass distribution. Sales: €4.3 million. Employees: 15.

Saint-Gobain Abrasivos CA: coated abrasives and grinding wheels. Sales: €12 million. Employees: 96.

Saint-Gobain Materiales Ceramicos CA: silicon carbide. Sales: €14 million. Employees: 44.

Fibras Fivenglass SA: insulation products distribution. Sales: €2.9 million. Employees: 13.

BRAZIL, ARGENTINA AND CHILE

Brazil

€1 = BRL 2.326

Saint-Gobain Do Brazil Ltda: construction and automotive glass and glass products, fiberglass insulation, reinforcement products, ceramic products, plastics, grains and powders, high-performance plastics, bonded and coated abrasives, refractory products, silicon carbide and tile adhesives. Sales: €1.2 billion. Employees: 6,169.
Subsidiaries:

- Mineraçao Jundu (50%): quarry operator. Sales: €22.9 million. Employees: 175.
- Cebrace (50%): flat glass and flat glass products. Sales: €442.7 million. Employees: 1,118.

Placo Do Brazil (55%): plaster and plasterboard products. Sales: €44.7 million. Employees: 119.

Saint-Gobain Vidros SA: glass containers (bottles and industrial jars). Sales: €223.2 million. Employees: 1,152.

Saint-Gobain Canalização: ductile cast-iron pipes and connectors. Sales: €176.4 million. Employees: 1,435.

Argentina

€1 = ARS 5.748

Vidrieria Argentina (VASA) (49%): construction glass. Sales: €63.3 million. Employees: 177.

Saint-Gobain Abrasivos Argentina: bonded abrasives manufacturing and distribution. Sales: €13.8 million. Employees: 28.

Abrasivos Argentina: coated abrasives and masking tape. Employees: 457.

Saint-Gobain Argentina SA: plaster, plasterboard, fiber-glass insulation and reinforcement products, automotive glass distribution and pipe product and industrial mortar marketing. Sales: €103.7 million. Employees: 560.

Barugel Azulay: kitchen, bathroom and tile distribution (9 outlets). Sales: €34.3 million. Employees: 248.

Rayen Cura Saic (60%): glass containers (bottles). Sales: €86.5 million. Employees: 359.

Chile

€1 = CLP 672.590

Inversiones Float Chile Ltda (49%): flat glass and flat glass products. Subsidiary:

- Vidrios Lirquen (51.5%): flat glass and flat glass products. Sales: €22.4 million. Employees: 137.

Saint-Gobain Envases SA (51%): glass containers (bottles). Sales: €29.1 million. Employees: 185.

ASIA-PACIFIC

Australia

€1 = AUD 1.348

Saint-Gobain Abrasives Australia Pty Ltd. Sales: €77 million. Employees: 244.

China

€1 = CNY 8.996

Saint-Gobain Hanglas Sekurit Shanghai Co. Ltd: automotive and photovoltaic glass products. Sales: €114.7 million. Employees: 787.

Nanjing New Nanwoo Glass Industries Co. Ltd. Sales: €52.4 million. Employees: 474.

Qingdao Saint-Gobain Hanglas Clfg Co. Ltd. Sales: €34.6 million. Employees: 250.

Eurokera Guangzhou Co. Ltd (50%): glass ceramic hob finishing products.

Kunshan Yongxin Glassware Co. Ltd (60%). Sales: €27.4 million. Employees: 428.

SEPR Beijing (87.8%): fused-cast refractory products. Sales: €25.7 million. Employees: 367.

Saint-Gobain PPL Shanghai. Sales: €49.9 million. Employees: 401. Subsidiaries:

- Ceramic Materials (Lianyungang). Employees: 7.
- Ceramic Materials (Mudanjiang) Co. Ltd. Employees: 282.

Abrasives Shanghai: abrasive grinding wheels. Sales: €75.3 million. Employees: 533.

Saint-Gobain Gypsum (Changzhou): plaster. Sales: €25.6 million. Employees: 98.

Saint-Gobain Gypsum Materials Shanghai: plaster. Sales: €23.2 million. Employees: 167.

Saint-Gobain Isover Gu An. Sales: €9.5 million. Employees: 134.

Saint-Gobain Pipelines Co. Ltd.: ductile cast iron pipes. Sales: €151 million. Employees: 954.

Saint-Gobain Foundry Co. Ltd. Sales: €12.1 million. Employees: 186.

DIP: ductile cast iron pipes. Sales: €86.2 million. Employees: 459.

Saint-Gobain (Xuzhou) Pipe Cie. Ltd. (Xuzhou General Iron and Steel Works): liquid cast iron production. Subsidiary:

- Ductile Iron Pipe Co. (D.I.P.). Sales: €289.2 million. Employees: 2,047.

Saint-Gobain Pipelines (Xuzhou) Co. Ltd. Sales: €185 million. Employees: 678.

South Korea

€1 = KRW 1.541

Hankuk Glass Industries Inc. (77%): listed on the Seoul Stock Exchange: flat glass. Sales: €230 million. Employees: 516. Subsidiaries:
- Hankuk Sekurit Limited (99.9%): automotive glass products. Sales: €130 million. Employees: 432.
- Hankuk Haniso. Sales: €63.2 million. Employees: 111.

Saint-Gobain PPL Korea Co Ltd.
Sales: €23.6 million. Employees: 73.

Indonesia

€1 = IDR 12,207.895

PT Cipta Mortar Utama (51%): industrial mortars. Employees: 165.

PT Prima Rezeki Pertiwi: industrial mortars. Employees: 120.

Saint-Gobain Winter Diamas (75%). Sales: €8.3 million. Employees: 243.

Saint-Gobain Abrasives Indonesia.
Sales: €3.3 million. Employees: 85.

Japan

€1 = JPY 111.005

Saint-Gobain K.K.: automotive glass, superabrasives, technical ceramics and high-performance plastics. Sales: €123.2 million. Employees: 238.

Saint-Gobain TM KK (60%): glass furnace refractories. Sales: €88 million. Employees: 180.

MAG Isover K.K. (99.8%): glass wool. Sales: €172.6 million. Employees: 397.

Malaysia

€1 = MYR 4.255

Saint-Gobain Constuction Products Malaysia Sdn: plaster. Sales: €17.1 million. Employees: 115.

Singapore

€1 = SGD 1.749

Saint-Gobain (SEA) Pte Ltd.
Sales: €18.4 million. Employees: 27.

Rencol MMI Technology Pte Ltd (51%): high-performance plastics. Sales: €8 million. Employees: 25.

Thailand

€1 = THB 42.425

Saint-Gobain Sekurit Thailand (95%): automotive glass products. Sales: €56.6 million. Employees: 581.

Saint-Gobain Abrasives Thailand Ltd.
Sales: €11.9 million. Employees: 144.

Thaï Gypsum Products Plc (99.7%): plaster and plasterboard. Sales: €63.1 million. Employees: 408. Subsidiary:
- Bpb Asia Ltd.

Vietnam

€1 = VND 29,007.746

Saint-Gobain Construction Products Vietnam: plaster. Sales: €23.1 million. Employees: 140.

INDIA, SRI LANKA AND BANGLADESH

India

€1 = INR 64.878

Saint-Gobain Glass India Ltd.: flat glass and flat glass products. Sales: €225.3 million. Employees: 1,480.

Saint-Gobain Sekurit India Ltd: listed on the Mumbai Stock Exchange. Construction and automotive glass products. Sales: €15.9 million. Employees: 185.

Grindwell Norton Ltd (51.6%): listed on the Mumbai Stock Exchange. Abrasives, ceramics and high-performance plastics. Sales: €130.3 million. Employees: 1,479.

SEPR Refractories India Ltd: fused-cast refractory products. Sales: €32 million. Employees: 481.

Saint-Gobain Crystals & Detectors India Ltd.
Sales: €7.3 million. Employees: 93.

Saint-Gobain Gyproc India Ltd: plaster and plasterboard. Sales: €62.3 million. Employees: 436.

STATEMENT

Statement by the person responsible for the Registration Document and the Annual Financial Report

"I hereby declare that, to the best of my knowledge, and having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is in accordance with the facts and contains no omission likely to affect its import.

I further declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of Compagnie de Saint-Gobain and the undertakings in the consolidation taken as a whole, and that the management report (p. 37-106) includes a fair review of the development and performance of the business, profit or loss and financial position of the Company and the undertakings in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

I obtained a statement from the Statutory Auditors at the end of their audit in which they confirm that they verified the information regarding the financial position and the accounts contained herein, and read the entire Registration Document."

Courbevoie,
March 22, 2012

Pierre-André de CHALENDAR

Chairman and Chief Executive Officer

TABLE OF CONCORDANCE

For the convenience of readers of this Registration Document, the following table provides an index to the main disclosures required by Annex 1 of European Commission Regulation (EC) 806/2004.

The following information is incorporated by reference in the Registration Document:

- The consolidated financial statements and the parent company financial statements for the year ended December 31, 2010 and the Statutory Auditors' reports on the consolidated financial statements and the parent company financial statements for the same period, and the Group management report, which are contained in the Registration Document filed with the Autorité des Marchés Financiers on March 29, 2011 under no D.11-0189.
- The consolidated financial statements and the parent company financial statements for the year ended December 31, 2009 and the Statutory Auditors' reports on the consolidated financial statements and the parent company financial statements for the same period, and the Group management report, which are contained in Registration Document filed with the Autorité des Marchés Financiers on March 31, 2010 under no. D.10-0194.

For the convenience of readers of the Annual Financial Report, the following table provides an index to the main disclosures required by Article L.451-1-2 of the French Monetary and Financial Code.

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SAINT-GOBAIN

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