CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

ASSETS *(in EUR millions)*	Notes	2009	2008
Goodwill	(3)	10,740	10,671
Other intangible assets	(4)	2,998	2,868
Property, plant and equipment	(5)	13,300	13,374
Investments in associates	(6)	123	116
Deferred tax assets	(15)	676	507
Other non-current assets	(7)	312	490
Non-current assets		**28,149**	**28,026**
Inventories	(8)	5,256	6,113
Trade accounts receivable	(9)	4,926	5,647
Current tax receivable		333	248
Other receivables	(9)	1,202	1,424
Cash and cash equivalents	(19)	3,157	1,937
Current assets		**14,874**	**15,369**
TOTAL ASSETS		**43,023**	**43,395**

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

EQUITY AND LIABILITIES *(in EUR millions)*	Notes	2009	2008
Capital stock	(10)	2,052	1,530
Additional paid-in capital and legal reserve		5,341	3,940
Retained earnings and net income for the year		10,137	10,911
Cumulative translation adjustments		(1,340)	(1,740)
Fair value reserves		(75)	(161)
Treasury stock	(10)	(203)	(206)
Shareholders' equity		**15,912**	**14,274**
Minority interests		302	256
Total equity		**16,214**	**14,530**
Long-term debt	(19)	8,839	10,365
Provisions for pensions and other employee benefits	(14)	2,958	2,443
Deferred tax liabilities	(15)	921	1,130
Other non-current liabilities and provisions	(16)	2,169	1,950
Non-current liabilities		**14,887**	**15,888**
Current portion of long-term debt	(19)	1,880	1,364
Current portion of other liabilities	(16)	518	460
Trade accounts payable	(17)	5,338	5,613
Current tax liabilities		108	263
Other payables and accrued expenses	(17)	3,086	3,390
Short-term debt and bank overdrafts	(19)	992	1,887
Current liabilities		**11,922**	**12,977**
TOTAL EQUITY AND LIABILITIES		**43,023**	**43,395**

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

CONSOLIDATED INCOME STATEMENT

(in EUR millions)	Notes	2009	2008
Net sales	(32)	37,786	43,800
Cost of sales	(22)	(28,804)	(32,923)
Selling, general and administrative expenses including research	(22)	(6,766)	(7,228)
Operating income		**2,216**	**3,649**
Other business income	(22)	36	54
Other business expense	(22)	(1,012)	(889)
Business income		**1,240**	**2,814**
Borrowing costs, gross		(666)	(771)
Income from cash and cash equivalents		46	64
Borrowing costs, net		**(620)**	**(707)**
Other financial income and expense	(23)	(185)	(43)
Net financial expense		**(805)**	**(750)**
Share in net income of associates	(6)	2	11
Income taxes	(15)	(196)	(638)
Net income		**241**	**1,437**
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**202**	**1,378**
Minority interests		39	59

Earnings per share (in EUR)			
Weighted average number of shares in issue		473,244,410	374,998,085
Basic earnings per share	(25)	0.43	3.67
Weighted average number of shares assuming full dilution		473,543,327	376,825,178
Diluted earnings per share	(25)	0.43	3.66

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

CONSOLIDATED STATEMENT
OF RECOGNIZED INCOME AND EXPENSE

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

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

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

CONSOLIDATED CASH FLOW STATEMENT

(in EUR millions)	Notes	2009	2008
Net income attributable to equity holders of the parent		**202**	**1,378**
Minority interests in net income		39	59
Share in net income of associates, net of dividends received	(6)	2	(7)
Depreciation, amortization and impairment of assets	(22)	1,857	1,681
Gains and losses on disposals of assets	(22)	32	(53)
Unrealized gains and losses arising from changes in fair value and share-based payments		100	15
Changes in inventories	(8)	989	(205)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(9) (17)	509	477
Changes in tax receivable and payable	(15)	(216)	(96)
Changes in deferred taxes and provisions for other liabilities and charges	(14)(15)(16)	(124)	(270)
Charge to provision for competition litigation	(27)	0	400
Net cash from operating activities		**3,390**	**3,379**
Purchases of property, plant and equipment [2009: (1,249), 2008: (2,149)] and intangible assets	(4) (5)	(1,319)	(2,228)
Increase (decrease) in amounts due to suppliers of fixed assets	(17)	(105)	(70)
Acquisitions of shares in consolidated companies [2009: (200), 2008: (2,328)], net of cash acquired	(2)	(180)	(2,226)
Acquisitions of other investments	(7)	(4)	(30)
Increase in investment-related liabilities	(16)	29	159
Decrease in investment-related liabilities	(16)	(59)	(103)
Investments		**(1,638)**	**(4,498)**
Disposals of property, plant and equipment and intangible assets	(4) (5)	71	174
Disposals of shares in consolidated companies, net of cash divested	(2)	6	42
Disposals of other investments and other divestments	(7)	6	27
Divestments		**83**	**243**
Increase in loans and deposits	(7)	(39)	(53)
Decrease in loans and deposits	(7)	47	55
Net cash from (used in) investing activities		**(1,547)**	**(4,253)**
Issues of capital stock	(*)	1,923	356
Minority interests' share in capital increases of subsidiaries	(*)	6	4
(Increase) decrease in treasury stock	(*)	6	(7)
Dividends paid	(*)	(486)	(767)
Dividends paid to minority shareholders of consolidated subsidiaries and increase (decrease) in dividends payable		(27)	(65)
Increase (decrease) in bank overdrafts and other short-term debt		(985)	762
Increase in long-term debt		2,281	2,987
Decrease in long-term debt		(3,389)	(1,642)
Net cash from (used in) financing activities		**(671)**	**1,628**
Increase (decrease) in cash and cash equivalents		**1,172**	**754**
Net effect of exchange rate changes on cash and cash equivalents		48	(111)
Cash and cash equivalents at beginning of year		**1,937**	**1,294**
Cash and cash equivalents at end of year		**3,157**	**1,937**

(*) References to the consolidated statement of changes in equity.
Income tax paid amounted to €655 million in 2009 (2008: €734 million). Interest paid net of interest received amounted to €592 million in 2009 (2008: €603 million).

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Number of shares)		*(in EUR millions)*								
	Issued	Outstanding (excluding treasury stock)	Capital stock	Additional paid-in capital and legal reserve	Retained earnings and net income for the year	Cumulative translation adjustments	Fair value reserves	Treasury stock	Shareholders' equity	Minority interests	Total equity
At December 31, 2007	374,216,152	369,840,183	1,497	3,617	10,625	(564)	8	(206)	14,977	290	15,267
Income and expenses recognized directly in equity			0	0	(376)	(1,176)	(169)	0	(1,721)	(41)	(1,762)
Net income for the year					1,378				1,378	59	1,437
Total recognized income and expense for the year			**0**	**0**	**1,002**	**(1,176)**	**(169)**	**0**	**(343)**	**18**	**(325)**
Issues of capital stock											
Group Savings Plan	8,272,947	8,272,947	33	320					353		353
Stock option plans	82,886	82,886		3					3		3
Other		0							0	4	4
Dividends paid (EUR 2.05 per share)					(767)				(767)	(56)	(823)
Treasury stock purchased		(2,898,905)						(131)	(131)		(131)
Treasury stock cancelled									0		0
Treasury stock sold		2,729,725			(7)			131	124		124
Share-based payments					58				58		58
At December 31, 2008	382,571,985	378,026,836	1,530	3,940	10,911	(1,740)	(161)	(206)	14,274	256	14,530
Income and expenses recognized directly in equity			0	0	(533)	400	86	0	(47)	27	(20)
Net income for the year					202				202	39	241
Total recognized income and expense for the year			**0**	**0**	**(331)**	**400**	**86**	**0**	**155**	**66**	**221**
Issues of capital stock											
March 23, 2009 rights issue	108,017,212	108,017,212	432	1,042					1,474		1,474
Group Savings Plan	8,498,377	8,498,377	34	100					134		134
Stock dividends	13,805,920	13,805,920	56	258					314		314
Stock option plans	37,522	37,522		1					1		1
Other		0							0	6	6
Dividends paid (EUR 1.00 per share)					(486)				(486)	(26)	(512)
Treasury stock purchased		(2,238,941)						(72)	(72)		(72)
Treasury stock cancelled									0		0
Treasury stock sold		2,326,591			3			75	78		78
Share-based payments					40				40		40
At December 31, 2009	512,931,016	508,473,517	2,052	5,341	10,137	(1,340)	(75)	(203)	15,912	302	16,214

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ACCOUNTING PRINCIPLES AND POLICIES

Basis of preparation

The consolidated financial statements of Compagnie de Saint-Gobain and its subsidiaries ("the Group") have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for use in the European Union at December 31, 2009. They have also been prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB).

IFRS were applied retrospectively in the opening balance sheet at the transition date (January 1, 2004), with the exception of certain optional or mandatory exemptions provided for under IFRS 1 – First-time Adoption of International Financial Reporting Standards. The Group elected to apply IAS 32 and IAS 39 relating to financial instruments and IFRS 2 relating to share-based payments as of January 1, 2004.

The accounting policies applied are consistent with those used to prepare the financial statements for the year ended December 31, 2008. The consolidated financial statements have been prepared using the historical cost convention, except for certain assets and liabilities that have been measured using the fair value model as explained in these notes.

The standards, interpretations and amendments to published standards applicable for the first time in 2009 (see the table below) do not have a material impact on the Group's consolidated financial statements. In particular, IFRS 8 – *(Operating Segments)* does not have any impact on the presentation of information by sector and division in Note 32.

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

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

The Group has not early adopted any new standards, interpretations or amendments to published standards that are applicable for financial years beginning on or after January 1, 2010 (see table below).

These consolidated financial statements were adopted by the Board of Directors on February 25, 2010 and will be submitted to the Shareholders' Meeting for approval. They are presented in millions of euros.

Estimates and assumptions

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

The main estimates and assumptions described in these notes concern the measurement of employee benefit obligations (Note 14), provisions for other liabilities and charges (Note 16), asset impairment tests (Note 1), deferred taxes (Note 15), share-based payments (Notes 11, 12 and 13) and financial instruments (Note 20). Estimates are revised at the balance sheet date and tests are carried out where appropriate to assess their sensitivity to changes in assumptions.

Summary of new standards, interpretations and amendments to published standards

Standards, interpretations and amendments to existing standards applicable in 2009

IAS 1R	Presentation of Financial Statements
Amendments to IAS 23	Borrowing Costs
Amendments to IAS 32 and IAS 1	Puttable Instruments and Instruments with Obligations Arising on Liquidation
Amendments to IFRS 1 and IAS 27	Determining the Cost of Investments in Subsidiaries, Jointly Controlled Entities and Associates in the Separate Financial Statements
Amendments to IFRS 2	Vesting Conditions and Cancellations
Amendments to IFRS 7 and IAS 39	Enhanced Disclosures about Financial Instruments and Reclassifications of Financial Assets
IFRS 8	Operating Segments
IFRIC 11	Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

Standards, interpretations and amendments to existing standards early adopted in 2009

IAS 27R	Consolidated and Separate Financial Statements
Amendments to IFRS 2	Group Cash-Settled Share-Based Payment Transactions
IFRS 3R	Business Combinations (Phase 2)
Amendments to IAS 32	Classification of Rights Issues
Amendments to IAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRIC 17	Distributions of Non-Cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers

Standards adopted by the European Union may be consulted on the European Commission website, at http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

Consolidation

Scope of consolidation

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

Significant changes in the Group's scope of consolidation during 2009 are presented in Note 2 and a list of the principal consolidated companies at December 31, 2009 is provided in Note 33.

Consolidation methods

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

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

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

Business combinations

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

Potential voting rights and share purchase commitments

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

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

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

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

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

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

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

Intragroup transactions

All intragroup balances and transactions are eliminated in consolidation.

Minority interests

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

Translation of the financial statements of foreign companies

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

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

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

Foreign currency transactions

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

Balance sheet items

Goodwill

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

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

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

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

Other intangible assets

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

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

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

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

The greenhouse gas emissions allowances granted to the Group have not been recognized as assets in the consolidated financial statements, as IFRIC 3 - Emission Rights has been withdrawn. A provision is recorded in the consolidated financial statements to cover any difference between the Group's emissions and the allowances granted. Details of the measurement of emissions allowances available at the balance sheet date are provided in Note 4.

Property, plant and equipment

Land, buildings and equipment are carried at historical cost less accumulated depreciation and impairment.

Cost may also include incidental expenses directly attributable to the acquisition, such as transfers from equity of any gains/losses on qualifying cash flow hedges of property, plant and equipment purchases.

Expenses incurred in exploring and evaluating mineral resources are included in property, plant and equipment when it is probable that associated future economic benefits will flow to the Group. They include mainly the costs of topographical or geological studies, drilling costs, sampling costs and all costs incurred in assessing the technical feasibility and commercial viability of extracting the mineral resource.

Material borrowing costs incurred for the construction and acquisition of property, plant and equipment are included in the cost of the related asset.

Except for the head office building, which is the Group's only material non-industrial asset, property, plant and equipment are considered as having no residual value, as most items are intended to be used until the end of their useful lives and are not generally expected to be sold.

Property, plant and equipment other than land are depreciated using the components approach, on a straight-line basis over the following estimated useful lives, which are regularly reviewed:

- Major factories and offices 30-40 years
- Other buildings 15-25 years
- Production machinery and equipment 5-16 years
- Vehicles 3-5 years
- Furniture, fixtures, office and computer equipment 4-16 years

Gypsum quarries are depreciated over their estimated useful lives, based on the quantity of gypsum extracted during the year compared with the extraction capacity.

Provisions for site restoration are recognized as components of assets in the event of a sudden deterioration in site conditions and whenever the Group has a legal or constructive obligation to restore a site in accordance with contractually determined conditions. These provisions are reviewed periodically and may be discounted over the expected useful lives of the assets concerned. The component is depreciated over the same useful life as that used for mines and quarries.

Government grants for purchases of property, plant and equipment are recorded under "Other payables" and taken to the income statement over the estimated useful lives of the relevant assets.

Finance leases and operating leases

Assets held under leases that transfer to the Group substantially all of the risks and rewards of ownership (finance leases) are recognized as property, plant and equipment. They are recognized at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Property, plant and equipment acquired under finance leases are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset – determined using the same criteria as for assets owned by the Group – or the lease term. The corresponding liability is shown in the balance sheet net of related interest.

Rental payments under operating leases are expensed as incurred.

Non-current financial assets

Non-current financial assets include available-for-sale and other securities, as well as other non-current assets, which primarily comprise long-term loans and deposits.

Investments classified as "available-for-sale" are carried at fair value. Unrealized gains and losses on these investments are recognized in equity, unless the investments have suffered an other-than-temporary or material decline in value, in which case an impairment loss is recorded in the income statement.

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

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

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

For goodwill and other intangible assets (including brands with indefinite useful lives), an impairment test is performed at least annually based on the five-year business plan. Goodwill is reviewed systematically and exhaustively at the level of each cash-generating unit (CGU) and where necessary more detailed tests are carried out. Exceptionally, in 2009 impairment tests were performed twice, at the end of June and again at the end of December, with the December test based on the 2010 budget instead of the first year of the 2010-2014 business plan. The Group's reporting segments are its business sectors, which may each include several CGUs. A CGU is a reporting sub-segment, generally defined as a core business of the segment in a given geographical area. It typically reflects the manner in which the Group organizes its business and analyzes its results for internal reporting purposes. A total of 38 main CGUs have been identified and are monitored each year.

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

The method used for these impairment tests is consistent with that employed by the Group for the valuation of companies acquired in business combinations or acquisitions of equity interests. The carrying amount of the CGUs is compared to their value in use, corresponding to the present value of future cash flows excluding interest but including tax. Cash flows for the fifth year of the business plan are rolled forward over the following two years. For impairment tests of goodwill, normative cash flows (corresponding to cash flows at the mid-point in the business cycle) are then projected to perpetuity using a low annual growth rate (generally 1%, except for emerging markets or businesses with a high organic growth potential where a 1.5% rate may be used). The discount rate applied to these cash flows corresponds to the Group's average cost of capital (7.25% in 2009 and 7.5% in 2008) plus a country risk premium where appropriate depending on the geographic area concerned. The discount rates applied in 2009 for the main operating regions were 7.25% for the euro zone and North America, 8.25% for Eastern Europe and China and 8.75% for South America.

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

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

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

When the annual impairment test reveals that the recoverable amount of an asset is less than its carrying amount, an impairment loss is recorded.

Tests performed in 2009 led to the recognition of a €215 million impairment loss on Gypsum Division assets in North America, due to worsening market conditions in the region.

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

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

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories includes the costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. It is generally determined using the weighted-average cost method, and in some cases the First-In-First-Out (FIFO) method. Cost of inventories may also include the transfer from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of raw materials. Net realizable value is the selling price in the ordinary course of business, less estimated costs to completion and costs to sell. No account is taken in the inventory valuation process of the impact of below-normal capacity utilization rates.

Operating receivables and payables

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

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

Net debt

Long-term debt

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

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

Short-term debt

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

Cash and cash equivalents

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

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

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

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

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

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

Fair value hedges

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

Cash flow hedges

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

Derivatives that do not qualify for hedge accounting

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

Fair value of financial instruments

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

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

Employee benefits – defined benefit plans

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

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

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

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

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

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

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

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

Employee benefits – defined contribution plans

Contributions to defined contribution plans are expensed as incurred.

Employee benefits – share-based payments

Stock options

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

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

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

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

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

Group Savings Plan

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

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

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

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

Performance share grants

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

Equity

Additional paid-in capital and legal reserve

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

Retained earnings and net income for the year

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

Treasury stock

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

Other current and non-current liabilities and provisions

Provisions for other liabilities and charges

A provision is booked when (i) the Group has a present legal or constructive obligation towards a third party as a result of a past event, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) the amount of the obligation can be estimated reliably.

If the timing or the amount of the obligation cannot be measured reliably, it is classified as a contingent liability and reported as an off-balance sheet commitment. However, contingent liabilities arising on business combinations are recognized in the balance sheet.

Provisions for other material liabilities and charges whose timing can be estimated reliably are discounted to present value.

Investment-related liabilities

Investment-related liabilities correspond to put options granted to minority shareholders of subsidiaries and liabilities relating to the acquisition of shares in Group companies, including additional purchase consideration. They are reviewed on a periodic basis. The impact of discounting adjustments reflecting the passage of time is recognized in financial income and expense.

Income statement items

Revenue recognition

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

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

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

Operating income

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

Other business income and expense

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

Business income

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

Net financial expense

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

Income taxes

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

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

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

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

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

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

Earnings per share

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

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

Recurring net income

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

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

Return on capital employed

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

EBITDA

EBITDA corresponds to operating income before depreciation and amortization.

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

Cash flow from operations

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

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

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

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

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

Segment information

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

NOTE 2 Changes in Group structure

Changes in the number of consolidated companies

2009

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

Significant changes in Group structure

2009

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

2008

On March 13, 2008, Saint-Gobain completed the acquisition of the Maxit group from HeidelbergCement for €2,087 million including €559 million in assumed net debt.

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

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

During 2008, the Group acquired two building materials distribution companies, Dalhoff Larsen & Horneman A/S (DLH) in Denmark and Famar Desi in Estonia. UK-based building materials distributor Gibbs & Dandy was also acquired, through a cash offer that closed on July 1, 2008.

Impact on the consolidated balance sheet

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

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

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

NOTE 3 Goodwill

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

Movements in goodwill during 2009 included €210 million in write-downs, related mainly to Gypsum Division goodwill in North America.

Movements in goodwill during 2008 were due mainly to the acquisition of the Maxit group (acquisition cost: €2,087 million including assumed net debt; provisional goodwill: €1,539 million – see Note 2) and of various Building Distribution companies, mainly in Scandinavia, the United Kingdom, the Baltic countries and France (see Note 2).

NOTE 4 Other intangible assets

(in EUR millions)	Patents	Non-amortizable brands	Software	Development costs	Other	Total
At December 31, 2007						
Gross value	106	2,763	631	47	279	3,826
Accumulated amortization and impairment	(90)		(441)	(22)	(148)	(701)
Net	**16**	**2,763**	**190**	**25**	**131**	**3,125**
Movements during the year						
Changes in group structure	1		46	1	(26)	22
Acquisitions			43	8	28	79
Disposals			(3)		1	(2)
Translation adjustments		(250)	(8)		(2)	(260)
Amortization and impairment	(2)		(76)	(7)	(11)	(96)
Total movements	**(1)**	**(250)**	**2**	**2**	**(10)**	**(257)**
At December 31, 2008						
Gross value	113	2,513	684	54	276	3,640
Accumulated amortization and impairment	(98)		(492)	(27)	(155)	(772)
Net	**15**	**2,513**	**192**	**27**	**121**	**2,868**
Movements during the year						
Changes in group structure	1	84	9		(9)	85
Acquisitions	2		50	8	10	70
Disposals			(3)		(2)	(5)
Translation adjustments		77	6		1	84
Amortization and impairment	(2)		(78)	(8)	(16)	(104)
Total movements	**1**	**161**	**(16)**	**0**	**(16)**	**130**
At December 31, 2009						
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**

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

In April 2008, European companies in the Group returned the final greenhouse gas emissions allowances allocated for the period 2005-2007. Allowances issued to the Group under the 2008-2012 program represent some 6.9 million metric tons of CO_2 emissions per year. The 2009 allowances cover the greenhouse gas emissions for the year; consequently, no provision has been recorded in the accounts in this respect.

NOTE 5 Property, plant and equipment

(in EUR millions)	Land and quarries	Buildings	Machinery and equipment	Assets under construction	Total
At December 31, 2007					
Gross value	1,971	6,944	17,643	1,704	28,262
Accumulated depreciation and impairment	(278)	(3,434)	(11,779)	(18)	(15,509)
Net	**1,693**	**3,510**	**5,864**	**1,686**	**12,753**
Movements during the year					
Changes in group structure and reclassifications	130	228	302	0	660
Acquisitions	94	135	600	1,334	2,163
Disposals	(17)	(26)	(31)	(12)	(86)
Translation adjustments	(70)	(203)	(279)	(46)	(598)
Depreciation and impairment	(36)	(273)	(1,195)	(14)	(1,518)
Transfers	0	417	1,135	(1,552)	0
Total movements	**101**	**278**	**532**	**(290)**	**621**
At December 31, 2008					
Gross value	2,116	7,554	19,078	1,415	30,163
Accumulated depreciation and impairment	(322)	(3,766)	(12,682)	(19)	(16,789)
Net	**1,794**	**3,788**	**6,396**	**1,396**	**13,374**
Movements during the year					
Changes in group structure and reclassifications	27	16	30	6	79
Acquisitions	41	66	283	875	1,265
Disposals	(15)	(19)	(47)	(11)	(92)
Translation adjustments	24	52	88	11	175
Depreciation and impairment	(33)	(291)	(1,171)	(6)	(1,501)
Transfers	0	288	959	(1,247)	0
Total movements	**44**	**112**	**142**	**(372)**	**(74)**
At December 31, 2009					
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**

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

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

NOTE 6 Investments in associates

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

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

Net sales recorded in the individual financial statements of associates totaled €689 million in 2009 (2008: €798 million) and aggregate net income totaled €11 million (2008: €34 million). At December 31, 2009, total assets and liabilities of these companies amounted to €788 million and €450 million, respectively (December 31, 2008: €766 million and €448 million).

NOTE 7 Other non-current assets

(in EUR millions)	Available-for-sale and other securities	Capitalized loans and deposits	Plan surpluses	Total
At December 31, 2007				
Gross value	145	205	147	497
Provisions for impairment in value	(19)	(6)		(25)
Net	**126**	**199**	**147**	**472**
Movements during the year				
Changes in group structure	(61)	17		(44)
Increases/(decreases)	9	(2)	89	96
Movements in provisions for impairment in value		(2)		(2)
Translation adjustments	(4)	(6)	(30)	(40)
Transfers and other movements		8		8
Total movements	**(56)**	**15**	**59**	**18**
At December 31, 2008				
Gross value	86	227	206	519
Provisions for impairment in value	(16)	(13)		(29)
Net	**70**	**214**	**206**	**490**
Movements during the year				
Changes in group structure	(27)	1		(26)
Increases/(decreases)	3	(8)	(108)	(113)
Movements in provisions for impairment in value	(14)	(30)		(44)
Translation adjustments	1	5	(2)	4
Transfers and other movements	(5)	6		1
Total movements	**(42)**	**(26)**	**(110)**	**(178)**
At December 31, 2009				
Gross value	59	231	96	386
Provisions for impairment in value	(31)	(43)		(74)
Net	**28**	**188**	**96**	**312**

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

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

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

NOTE 8 Inventories

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

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

Impairment losses on inventories recorded in the 2009 income statement totaled €178 million (2008: €128 million). Impairment reversals, due to increases in the net realizable value of inventories, amounted to €92 million in 2009 (2008: €92 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, 2009	Dec. 31, 2008
Gross value	5,430	6,084
Provisions for impairment in value	(504)	(437)
Trade accounts receivable	**4,926**	**5,647**
Advances to suppliers	410	561
Prepaid payroll taxes	28	26
Other prepaid and recoverable taxes (other than income tax)	357	356
Other	418	489
- France	89	180
- Other Western European countries	135	146
- North America	15	(11)
- Emerging countries and Asia	179	174
Provisions for impairment in value	(11)	(8)
Other receivables	**1,202**	**1,424**

The increase in impairment provisions for trade accounts receivable in 2009 reflects €110 million in additions (2008: €101 million) and €50 million in reversals (2008: €57 million) - resulting from recoveries as well as write-offs. Bad debt write-offs are also reported under this caption, for €74 million (2008: €58 million).

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

The Group considers that its exposure to concentrations of credit risk is limited due to its diversified business line-up, broad customer base and global presence. Past-due trade receivables are regularly monitored and analyzed, and provisions are set aside when appropriate. Net past-due trade receivables amounted to €756 million at December 31, 2009 (December 31, 2008: €845 million), including €149 million over three months past-due.

NOTE 10 Equity

Number of shares outstanding

At December 31, 2009, Compagnie de Saint-Gobain's capital stock comprised 512,931,016 shares of common stock with a par value of €4 each, all in the same class (December 31, 2008: 382,571,985 shares).

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

Stock dividends paid in 2009 totaled €314 million, net of issuance costs, corresponding to 13,805,920 new shares.

During 2009, 8,498,377 new shares were issued to members of the 2009 Group Savings Plan at a price of €15.80, representing total proceeds of €134 million, and 37,522 shares were issued on exercise of November 20, 2003 stock options for a total of €1 million.

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

- Issue, on one or several occasions, up to 195 million new shares with or without pre-emptive or priority subscription rights for existing shareholders (thirteenth to seventeenth resolutions/ 26-month authorization commencing June 4, 2009).
- Issue, on one or several occasions, up to 23.75 million new shares to members of the Group Savings Plan (eighteenth resolution/26-month authorization commencing June 4, 2009).
- Grant stock options exercisable for shares representing up to 3% of capital stock on the Meeting date, i.e. 14,972,627 options exercisable for the same number of shares (nineteenth resolution/38-month authorization commencing June 4, 2009).

In the twentieth resolution, the Board was authorized to make performance share grants representing up to 1% of the capital stock on the Meeting date, i.e. grants of 4,990,875 shares. If this authorization were to be used, the performance shares would be deducted from the shares available for the stock option plan.

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

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

At the Annual General Meeting of June 4, 2009, the Board of Directors was authorized to issue equity warrants in the event of a public tender offer for the Company's shares, in accordance with the French Act of March 31, 2006 on takeover bids (twenty-second resolution). Under this authorization, the Group may issue up to €490 million worth of stock (excluding premiums), representing 122,500,000 shares.

Treasury stock

Saint-Gobain shares held by Compagnie de Saint-Gobain are shown as a deduction from shareholders' equity under "Treasury stock" at historical cost. At December 31, 2009, 4,457,499 shares were held in treasury (December 31, 2008: 4,545,149).

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

The liquidity contract set up with Exane BNP Paribas on November 16, 2007 was rolled over in 2008 and 2009. This contract complies with the Code of Ethics adopted by the Association Française des Entreprises d'Investissement (AFEI) recognized by the Autorité des Marchés Financiers (AMF). During 2009, 2,055,364 shares were purchased under the contract (2008: 2,829,382 shares) and 2,111,287 shares were sold (2008: 2,614,235 shares).

In view of their highly liquid nature, funds allocated to the liquidity contract but not invested in Saint-Gobain stock are classified as cash and cash equivalents.

NOTE 11 Stock option plans

Compagnie de Saint-Gobain has stock option plans available to certain employees, and an employee stock purchase plan referred to as the Group Savings Plan ("PEG").

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

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

All options granted between 1999 and 2002 were exercisable for existing shares, while those granted between 2003 and 2007 were exercisable for new shares. For the November 20, 2008 and November 19, 2009 plans, the origin of the shares will be determined at the latest at the end of the four-year vesting period. If an option holder were to die or any of the events provided for in the General Tax Code were to occur during the four-year vesting period, only options exercisable for new shares would vest.

Movements relating to stock options outstanding in 2008 and 2009 are summarized below:

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

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

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

Stock option expense recorded in the income statement amounted to €31.8 million in 2009 (2008: €41 million). The fair value of options granted in 2009 amounted to €15.4 million. Fair value was calculated using a Black & Scholes-type option pricing model and the same assumptions as those used to measure the expense in accordance with IFRS 2.

The table below summarizes information about stock options outstanding at December 31, 2009, after taking into account the adjustments made to the exercise price and the number of options following the March 23, 2009 rights issue.

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

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

NOTE 12 Group savings plan ("PEG")

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

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

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

Standard plans

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

The standard plan cost recorded in the income statement amounted to €7.0 million in 2009 (2008: €8.4 million), net of the lock-up cost for employees of €31.2 million (2008: €29.8 million).

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

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

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

Leveraged plan

Under the 2008 leveraged plan, eligible employees were offered the opportunity to invest in Saint-Gobain stock at a 15% discount. The yield profile of the leveraged plan is different from that of the standard plans, as a third-party bank tops up the employee's initial investment, essentially multiplying by ten the amount paid by the employee. The bank's intervention secures the initial funding, secures the yield for the employee and increases the indexation on a leveraged number of directly subscribed shares.

The plan costs are calculated under IFRS 2 in the same way as for non-leveraged plans (see Note 1), but also take into account the advantage accruing to employees who have access to share prices with a volatility profile adapted to institutional investors (corresponding to the opportunity gain in the table below).

The leveraged plan cost recorded in the income statement amounted to €8.5 million in 2008, net of the lock-up cost for employees and the opportunity gain of €29.9 million. No leveraged plan was set up in 2009.

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

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

(1) A 0.5-point decline in borrowing costs for the employee would have had no impact on the 2008 cost as calculated in accordance with IFRS 2 because the lock-up cost would still exceed the discount.

(2) A 0.5-point increase in the retail/institutional rate spread would have had an impact of €0.5 million on the 2008 cost as calculated in accordance with IFRS 2.

(3) The interest rate used to calculate the lock-up cost is capped at the discount percentage.

NOTE 13 Performance share plan

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

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

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

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

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

NOTE 14 Provisions for pensions and other employee benefits

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

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

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

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

(in EUR millions)	Pension obligations	Fair value of plan assets	Other	Provisions for pensions and other post-employment benefits
At December 31, 2007	**7,699**	**(6,405)**	**191**	**1,485**
Movements during the year				
Service cost	167			167
Interest cost/return on plan assets	420	(431)		(11)
Employer contributions		(172)		(172)
Employee contributions		(22)		(22)
Actuarial gains and losses and asset ceiling	(583)	1,147	83	647
Translation adjustment	(560)	629	(27)	42
Benefit payments	(440)	341		(99)
Past service cost				0
Changes in group structure	137	(92)		45
Curtailments/settlements	(3)			(3)
Other	(34)	29	(25)	(30)
Total movements	**(896)**	**1,429**	**31**	**564**
At December 31, 2008	**6,803**	**(4,976)**	**222**	**2,049**
Movements during the year				
Service cost	148			148
Interest cost/return on plan assets	415	(323)		92
Employer contributions		(172)		(172)
Employee contributions		(20)		(20)
Actuarial gains and losses and asset ceiling	953	(98)	(131)	724
Translation adjustment	114	(146)	9	(23)
Benefit payments	(419)	340		(79)
Past service cost	2			2
Changes in group structure	4			4
Curtailments/settlements	(21)	11		(10)
Other			(28)	(28)
Total movements	**1,196**	**(408)**	**(150)**	**638**
At December 31, 2009	**7,999**	**(5,384)**	**72**	**2,687**

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

December 31, 2009

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

December 31, 2008

(in EUR millions)	France	Other Western European countries	North America	Rest of the World	Net total
Projected benefit obligation - funded plans	319	3,610	1,995	86	6,010
Projected benefit obligation - unfunded plans	177	225	361	30	793
Fair value of plan assets	136	3,437	1,332	71	4,976
Deficit	360	398	1,024	45	1,827
Unrecognized past service cost					0
Asset ceiling					137
Insured plans					85
Pension and other post-employment benefit obligations					**2,049**
Plan surpluses classified as assets held for sale					0
Provisions for pensions and other post-employment benefit obligations classified as liabilities held for sale					0
Net pension and other post-employment benefit obligations					**2,049**

Description of defined benefit plans

The Group's main defined benefit plans are as follows:

In France, in addition to length-of-service awards, there are three defined benefit plans all of which are final salary plans. These plans were closed to new entrants by the companies concerned between 1969 and 1997.

In Germany, retirement plans provide pensions and death and disability benefits for employees. These plans have been closed to new entrants since 1996.

In the Netherlands, ceilings have been introduced for supplementary pension plans, above which they are converted into defined contribution plans.

In the United Kingdom, retirement plans provide pensions as well as death and permanent disability benefits. These defined benefit plans – which are based on employees' average salaries over their final years of employment – have been closed to new entrants since 2001.

In the United States and Canada, the Group's defined benefit plans are final salary plans. Since January 1, 2001, new employees have been offered a defined contribution plan.

Provisions for other long-term employee benefits amounted to €175 million at December 31, 2009 (December 31, 2008: €188 million), and covered all other employee benefits, notably long-service awards in France, jubilees in Germany and employee benefits in the United States. The related projected benefit obligation is generally calculated on an actuarial basis using the same rules as for pension obligations.

Measurement of pension and other post-employment benefit obligations

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

The Group's total pension and other post-employment benefit obligations amounted to €7,999 million at December 31, 2009 (December 31, 2008: €6,803 million).

Plan assets

For defined benefit plans, plan assets have been progressively built up by contributions, primarily in the United States, the United Kingdom and Germany. Contributions paid by the Group totaled €172 million in 2009 (2008: €172 million). The actual return on plan assets was a positive €421 million for the year (2008: negative return of €716 million).

The fair value of plan assets – which came to €5,384 million at December 31, 2009 (December 31, 2008: €4,976 million) – is deducted from the Group's projected benefit obligation, as estimated using the projected unit credit method, in order to calculate the unfunded obligation to be covered by a provision.

Plan assets are mainly composed of equities (40%) and bonds (47%), with the remaining 13% invested in other asset classes.

Actuarial assumptions used to measure projected benefit obligations and plan assets

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

The assumptions used in 2009 for the main plans were as follows:

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

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

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

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

A 0.5-point decrease in the discount rate would lead to an increase in projected benefit obligations of around €158 million for the North American plans, €137 million for the euro-zone plans and €252 million for the UK plans. A 0.5-point increase in the inflation rate would lead to an overall increase in projected benefit obligations of €386 million.

The same assumptions concerning mortality, employee turnover and interest rates are used to determine the Group's projected benefit obligations for other long-term employee benefits. In the United States, retirees' healthcare costs are projected to rise by 9% per year. A 1-point increase in this rate would lead to an increase in the related projected benefit obligation of around €41 million.

Expected rates of return on plan assets are estimated by country and by plan, taking into account the different classes of assets held by the plan and the outlook in the various financial markets. After an unfavorable year in 2008, when the return on plan assets was a negative €716 million, last year's recovery in the financial markets led to a €421 million increase in plan assets compared with the €323 million expected based on forecast yields. A 0.5-point increase or decrease in the expected return on plan assets would have an impact of approximately €27 million on income.

Actuarial gains and losses

In 2006, the Group elected to apply the option available under IAS 19 and to record in equity actuarial gains and losses and the change in the asset ceiling. In 2009, €724 million was recognized in equity (increase in provisions). This amount corresponds to €855 million in actuarial differences less €131 million due to a lowering of the asset ceiling. In 2008, €647 million was recognized in equity (increase in provisions). Experience adjustments (corresponding to the effects of differences between previous actuarial assumptions and what has actually occurred) led to a €37 million (0.5% of DBO) decrease in the projected benefit obligation and a €98 million increase in plan assets.

Plan surpluses and the asset ceiling

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

Contributions to insured plans

This item corresponds to amounts payable in the future to insurance companies under the externally funded pension plans for Group employees in Spain and totaled €57 million at December 31, 2009 (December 31, 2008: €85 million).

Plan surpluses and provisions for pensions and other post-employment benefits classified as assets and liabilities held for sale

No plan surpluses or provisions for pensions and other post-employment benefits were classified as assets and liabilities held for sale (IFRS 5) at December 31, 2009 or 2008.

Employee benefits expense

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

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

Additional information about pension costs

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

NOTE 15 Current and deferred taxes

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

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

Income tax expense breaks down as follows:

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

The effective tax rate breaks down as follows:

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

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

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

The table below shows the principal components of deferred taxes:

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

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

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

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

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

NOTE 16 Other current and non-current liabilities and provisions

(in EUR millions)	Provisions for claims and litigation	Provisions for environmental risks	Provisions for restructuring costs	Provisions for personnel costs	Provisions for customer warranties	Provisions for other contingencies	Investment related liabilities	Total
At December 31, 2007								
Current portion	224	31	84	31	80	78	19	547
Non-current portion	804	115	76	41	92	284	71	1,483
Total	**1,028**	**146**	**160**	**72**	**172**	**362**	**90**	**2,030**
Movements during the year								
Additions	528	12	75	28	59	157		859
Reversals	(1)	(7)	(17)	(7)	(24)	(132)		(188)
Utilizations	(198)	(11)	(73)	(15)	(49)	(32)		(378)
Changes in group structure		8	3		13	17	(2)	39
Other (reclassifications and translation adjustments)	(21)	10	(7)	(2)	57	(20)	31	48
Total movements	**308**	**12**	**(19)**	**4**	**56**	**(10)**	**29**	**380**
At December 31, 2008								
Current portion	95	24	80	32	81	120	28	460
Non-current portion	1,241	134	61	44	147	232	91	1,950
Total	**1,336**	**158**	**141**	**76**	**228**	**352**	**119**	**2,410**
Movements during the year								
Additions	125	14	215	33	64	118		569
Reversals	(1)	(7)	(9)	(15)	(15)	(57)		(104)
Utilizations	(88)	(10)	(102)	(18)	(33)	(25)		(276)
Changes in group structure	1	8	1	1		7	42	60
Other (reclassifications and translation adjustments)	(8)	4	(6)	5	(3)	61	(25)	28
Total movements	**29**	**9**	**99**	**6**	**13**	**104**	**17**	**277**
At December 31, 2009								
Current portion	92	34	133	38	88	128	5	518
Non-current portion	1,273	133	107	44	153	328	131	2,169
Total	**1,365**	**167**	**240**	**82**	**241**	**456**	**136**	**2,687**

Provisions for claims and litigation

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

In view of developments in the competition authorities' investigation and the appeal lodged by the Group, as well as the estimated duration of the appeal procedure and the period covered by the financial guarantee, the provision at December 31, 2009 is classified in "Other non-current liabilities".

Provisions for environmental risks

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

Provisions for restructuring costs

Provisions for restructuring costs came to €240 million at December 31, 2009 (December 31, 2008: €141 million), including net additions of €206 million during the year. The provisions primarily concern Germany (€41 million), France (€39 million), the United Kingdom (€30 million), Benelux (€48 million), Italy (€23 million), Spain (€14 million) and the United States (€12 million).

Provisions for personnel costs

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

Provisions for customer warranties

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

Provisions for other contingencies

At December 31, 2009, provisions for other contingencies amounted to €456 million and mainly concerned France (€115 million), the United States (€84 million), Germany (€80 million), the United Kingdom (€46 million), Latin America (€38 million), Italy (€23 million) and Spain (€41 million).

Investment-related liabilities

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

NOTE 17 Trade and other accounts payable and accrued expenses

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

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

NOTE 18 Risk factors

Market risks (liquidity, interest rate, foreign exchange, energy and credit risks)

Liquidity risk on financing

Although funds were successfully raised on the European bond market in 2009, in a crisis environment the Group could be unable to raise the financing or refinancing needed to cover its investment plans on the credit market or the capital market, or to obtain such financing or refinancing on acceptable terms.

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

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

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

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

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

The US Commercial Paper, Euro Commercial Paper and *Billets de Trésorerie* programs are backed by confirmed syndicated lines of credit.

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

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

Liquidity risk on investments

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

Interest rate risks

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

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

Based on a sensitivity analysis of the Group's total net debt after hedging, a 50-basis point increase in interest rates at the balance sheet date would lead to a €13 million increase in equity and a €6 million increase in income.

Foreign exchange risk

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

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

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

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

The Group monitors its exposure to foreign exchange risk using a monthly reporting system which captures the foreign exchange positions taken by subsidiaries. At December 31, 2009, 97% of the Group's foreign exchange position was hedged.

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

(in millions of euro equivalents)	Long	Short
EUR	2	6
USD	10	10
Other currencies	1	2
Total	**13**	**18**

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

(in EUR millions)	Net gain or loss
EUR	(0.4)
USD	0.0

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

Energy and raw materials risk

The Group is exposed to the risk of changes in the price of raw materials used in its products and in energy prices. These prices have been particularly volatile in recent months and may remain so in the current financial and economic environment. The energy hedging programs may be inadequate to protect the Group against significant or unforeseen price swings that could result from the current financial and economic environment.

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

Hedges of gas, fuel oil and electricity purchases (excluding fixed-price purchases negotiated directly with suppliers by the Purchasing Department) are arranged by the Group Treasury and Financing Department in accordance with instructions received from SGA.

The steering committee does not manage hedges of energy purchases or purchases in geographical areas not mentioned above because:

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

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

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

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

Credit risk

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

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

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

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

NOTE 19 Net debt

Long- and short-term debt

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

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

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

Long-term debt repayment schedule

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

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

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

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

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

Bond issues

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

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

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

Perpetual bonds

In 1985, Compagnie de Saint-Gobain issued €125 million worth of perpetual bonds – 25,000 bonds with a face value of €5,000 – paying interest at a variable rate indexed to Euribor. These securities are not redeemable and the interest paid on them is reported under "Borrowing costs".

At December 31, 2009, 18,496 perpetual bonds had been bought back and canceled, and 6,504 perpetual bonds were outstanding, representing a total face value of €33 million.

Participating securities

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

Some of these securities have been bought back on the market. At December 31, 2009, there were 606,883 TMO-indexed securities and 77,516 Euribor-indexed securities outstanding, representing an aggregate face value of €170 million.

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

Financing programs

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

At December 31, 2009, issuance under these programs was as follows:

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

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

In accordance with market practices, *"Billets de Trésorerie"*, Euro Commercial Paper and US Commercial Paper are generally issued with maturities of one to six months. They are treated as variable-rate debt, because they are rolled over at frequent intervals.

Syndicated and bilateral lines of credit

Compagnie de Saint-Gobain's US Commercial Paper, Euro Commercial Paper and *"Billets de Trésorerie"* programs are backed by a €2 billion confirmed syndicated line of credit expiring in November 2011 that is not subject to any covenants based on financial ratios.

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

This facility agreement includes a covenant stipulating that the Group's net debt/operating income excluding depreciation and amortization of property, plant and equipment and intangible assets ratio, as measured annually at December 31, must at all times represent less than 3.75. This ratio was complied with at December 31, 2009.

Neither of these confirmed lines of credit was drawn down at December 31, 2009.

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

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

Bank overdrafts and other short-term bank borrowings

This item includes bank overdrafts, local short-term bank borrowings taken out by subsidiaries, and accrued interest on short-term debt.

Receivables securitization programs

The Group has set up two securitization programs through its US subsidiary, Saint-Gobain Receivables Corporation, and its UK subsidiary, Jewson Ltd. Neither of the programs transfer the credit risk to the financial institution.

The US program amounted to €156 million at December 31, 2009 (December 31, 2008: €275 million).

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

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

Collateral

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

NOTE 20 Financial instruments

Derivatives

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

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

Interest rate swaps

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

Currency swaps

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

Forward foreign exchange contracts and currency options

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

Energy and commodity swaps

Energy and commodity swaps are used to hedge the risk of changes in the price of certain purchases used in the subsidiaries' operating activities, particularly heavy fuel oil purchases in Europe, natural gas purchases in the United States, Mexico and certain European countries and electricity purchases in the United Kingdom.

Impact on equity of financial instruments qualifying for hedge accounting

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

- €62 million unrealized gain corresponding to the remeasurement at fair value of interest rate swaps designated as cash flow hedges of the April 2007 bond issue.
- €8 million unrealized gain corresponding to the remeasurement at fair value of other cash flows hedges to be reclassified to income when the hedged items affect income.

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

Impact on income of financial instruments not qualifying for hedge accounting

The fair value of derivatives classified as financial assets and liabilities at fair value through profit or loss amounted to €2 million at December 31, 2009 (December 31, 2008: €68 million).

Embedded derivatives

Saint-Gobain regularly analyzes its contracts in order to separately identify financial instruments classified as embedded derivatives under IFRS. At December 31, 2009, no embedded derivatives deemed to be material at Group level were identified.

Group debt structure

The weighted average interest rate on total debt under IFRS, after hedging (using currency swaps and interest rate swaps), was 5.2% at December 31, 2009 and 2008.

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

Internal rate of return on long-term debt at December 31 (in %)

(in %)	2009	2,008
Bonds and Medium Term Notes	5.35%	4.96%
Perpetual bonds and participating securities	4.92%	5.92%
Acquisition-related bank borrowings	-	5.47%

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

Gross debt denominated in foreign currencies

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

Interest rate repricing schedule for debt

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

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

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

(a) Available-for-sale financial assets are generally measured at historical cost except for securities traded in an active market which are measured at the year-end market price (level 1 in the fair value hierarchy under IFRS 7).

(b) Derivatives consist mainly of interest rate swaps and forward foreign exchange contracts. The fair value of these instruments is measured using the discounted cash flows method, corresponding to level 2 in the fair value hierarchy under IFRS 7.

(c) Marketable securities included in cash and cash equivalents consist of mutual fund units measured at their net asset value, corresponding to level 1 in the fair value hierarchy under IFRS 7.

(d) Long and short-term debt is measured at fair value using the discounted cash flows method, corresponding to level 2 in the fair value hierarchy under IFRS 7.

NOTE 22 Business income by expense type

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

(a) Details of share-based payments are provided in Notes 11, 12 and 13.
(b) This corresponds to the cost of goods sold by the Building Distribution Sector and transport costs, raw materials costs, and other production costs for the other Sectors. This item also includes foreign exchange gains and losses, representing a net loss of €18 million in 2009 (2008: net gain of €18 million). In 2009, research and development costs recorded under operating expenses amounted to €386 million (2008: €377 million).
(c) In 2009, other business income included capital gains on disposals of property, plant and equipment and intangible assets.
(d) Restructuring costs in 2009 mainly consisted of employee termination benefits in an amount of €327 million (2008: €127 million).
(e) In the periods presented, provisions and expenses relating to claims and litigation corresponded for the most part to asbestos-related litigation and the provision for the competition litigation discussed in Notes 16 and 27.
(f) Impairment losses on assets and other business expenses in 2009 included impairment losses of €210 million on goodwill (2008: €68 million) and €91 million on property, plant and equipment and intangible assets (2008: €103 million), and €68 million in losses on disposal or scrapping of property, plant and equipment and intangible assets. The balance corresponds to impairment losses on financial assets and current assets. In 2008, impairment losses also included a €161 million write-down of assets classified as held for sale (see Note 2).

NOTE 23 Net financial expense

Breakdown of other financial income and expense

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

Recognition of financial instruments

Net financial expense amounted to €805 million in 2009 (2008: €750 million). Of this amount, €585.5 million (2008: €600.5 million) relates to instruments carried by Compagnie de Saint-Gobain and Saint-Gobain Nederland at amortized cost. Instruments measured at fair value by these two entities resulted in a positive impact of €20.5 million (2008: €6.3 million).

NOTE 24 Recurring net income – cash flow from operations – EBITDA

Recurring net income totaled €617 million in 2009 (2008: €1,914 million). Based on the weighted average number of shares outstanding at December 31 (473,244,410 shares in 2009, 374,998,085 shares in 2008), recurring earnings per share amounted to €1.30 in 2009 and €5.10 in 2008.

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

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

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

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

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

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

NOTE 25 Earnings per share

The calculation of earnings per share is shown below.

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

The weighted average number of shares outstanding is calculated by deducting treasury stock (4,457,499 shares at December 31, 2009) from the average number of shares outstanding during the year.

The weighted average number of shares assuming full dilution is calculated based on the weighted average number of shares outstanding, assuming conversion of all dilutive instruments. The Group's dilutive instruments include stock options – corresponding to a weighted average of 298,917 shares in 2009 (2008: 1,827,093 shares).

NOTE 26 Commitments

The Group's contractual obligations and commercial commitments are described below, except for commitments related to debt and financial instruments, which are discussed in Notes 19 and 20, respectively.

The Group has no other material commitments.

Obligations under finance leases

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

At December 31, 2009, €54 million of future minimum lease payments due under finance leases concerned land and buildings. Total assets under finance leases recognized in consolidated assets amounted to €168 million at December 31, 2009 (December 31, 2008: €201 million).

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

Obligations under operating leases

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

Net rental expense was €715.4 million in 2009, corresponding to rental expense of €730.9 million – of which €462.8 million for property leases – less €15.5 million in revenue from subleases.

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

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

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 2009	Payments due Within 1 year	Payments due 1 to 5 years	Payments due Beyond 5 years	Total 2008
Non-cancelable purchase commitments					
Non-current assets	97	90	6	1	131
Raw materials	525	195	264	66	684
Services	112	48	62	2	126
Other	172	82	85	5	220
Total	**906**	**415**	**417**	**74**	**1,161**

Guarantee commitments

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

The Group also receives guarantees, amounting to €102 million at December 31, 2009 (December 31, 2008: €120 million).

Commercial commitments

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

At December 31, 2009, pledged assets amounted to €215 million (December 31, 2008: €228 million) and mainly concerned fixed assets in India.

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

NOTE 27 Litigation

Asbestos-related litigation in France

In France, further individual lawsuits were filed in 2009 by former employees (or persons claiming through them) of Everite and Saint-Gobain PAM ("the employers") – which in the past had carried out fiber-cement operations – for asbestos-related occupational diseases, with the aim of obtaining supplementary compensation over and above the amounts paid by the French Social Security authorities in this respect. A total of 704 such lawsuits have been issued against the two companies since 1997.

At December 31, 2009, 614 of these 704 lawsuits had been completed in terms of both liability and quantum. In all of these cases, the employers were held liable on the grounds of "inexcusable fault".

Everite and Saint-Gobain PAM were held liable to pay a total amount of less than €1,3 million in compensation in settlement of these lawsuits.

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

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

In addition, as of December 31, 2009, 121 suits based on inexcusable fault had been filed by current or former employees of 12 other French companies in the Group (excluding Saint-Gobain Desjonquères and Saint-Gobain Vetrotex, which have been sold), in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.

At that date, 85 lawsuits had been completed. In 23 of these cases, the employer was held liable for inexcusable fault.

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

Asbestos-related litigation in the United States

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

Developments in 2009

About 4,000 new claims were filed against CertainTeed in 2009, compared to about 5,000 in 2008, 6,000 in 2007, 7,000 in 2006 and 17,000 in 2005. This decline was felt over the last five years in most States, particularly in those which had seen the greatest numbers of claims in the previous years. This decline reflects, among other things, State court rulings as well as changes in local legislation in various States to introduce stricter medical criteria for new claims.

Almost all of the claims against CertainTeed are settled out of court. Approximately 8,000 of the pending claims were resolved in 2009, about the same number as were resolved in 2008 and in 2007, compared to 12,000 in 2006 and 20,000 in 2005. Taking into account the 68,000 outstanding claims at the end of 2008 and the new claims having arisen during the year, as well as claims settled, some 64,000 claims were outstanding at December 31, 2009. A large number of these pending claims were filed more than five years ago by individuals without any significant asbestos-related impairment, and it is likely that many of these claims ultimately will be dismissed.

Impact on the Group's accounts

The Group recorded a €75 million charge in 2009 to cover future developments in relation to claims involving CertainTeed. This amount is identical to the amount recorded in 2008, and slightly lower than the €90 million recorded in 2007, the €95 million recorded in 2006 and the €100 million recorded in 2005.
At December 31, 2009, the Group reserve for asbestos-related claims against CertainTeed in the United States amount to €347 million, (USD 500 million), compared with €361 million, (USD 502 million) at December 31, 2008, €321 million (USD 473 million) at December 31, 2007, €342 million (USD 451 million) at December 31, 2006 and €358 million (USD 422 million) at December 31, 2005.

Cash flow impact

Compensation paid in respect of these claims against CertainTeed, including claims settled prior to 2009 but only paid out in 2009, and those fully resolved and paid in 2009, and compensation paid (net of insurance) in 2009 by other Group businesses in connection with asbestos-related litigation, amounted to €55 million (USD 77 million), compared to €48 million (USD 71 million) in 2008, €53 million (USD 73 million) in 2007, €67 million (USD 84 million) in 2006 and €72 million (USD 89 million) in 2005. The increase of the total amount of the compensation paid in 2009 compared to the amount paid in 2008 is mainly due to the higher number of malignant claims among the resolved claims. This trend in the increase should continue in 2010.

In Brazil, former Group employees suffering from asbestos-related occupational illness are offered either exclusively financial compensation or lifetime medical assistance combined with financial compensation. Only a small number of asbestos-related lawsuits were outstanding at December 31, 2009, and they do not represent a material risk for the companies concerned.

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

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

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

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

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

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

As a result of these developments, the €694 million provision set aside at December 31, 2007, which was reduced to €560 million at June 30, 2008 following payment of the €134 million fine, was increased to €960 million at December 31, 2008 to cover the €896 million fine, together with the cost of the bond and the estimated legal costs over the appeal period. At December 31, 2009, the provision was further increased to €991 million to cover the interest that had accrued since March 9, 2009.

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

NOTE 28 Related-party transactions

Balances and transactions with associates

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

Revenue from transactions with proportionately consolidated companies

Transactions with proportionately consolidated companies are treated as transactions with external parties and the Group's share of revenue arising from such transactions is not eliminated on consolidation. In 2009, these revenues amounted to €11 million (2008: €8 million).

Transactions with key shareholders

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

NOTE 29 Joint ventures

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

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

NOTE 30 Management compensation

Direct and indirect compensation and benefits paid to members of the Board of Directors and the Group's senior management were as follows in 2009:

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

Employers' social security contributions relating to the above compensation represented an estimated €3.3 million.

Pension obligations for the Group's directors and corporate officers totaled €36.9 million.

NOTE 31 Employees

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

** Proportion of headcount allocated to the Group.*

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

NOTE 32 Segment information

Segment information by sector and division

Segment information is presented as follows:

- Innovative Materials Sector
  - Flat Glass
  - High-Performance Materials (HPM)
- Construction Products (CP) Sector
  - Interior Solutions: Insulation and Gypsum
  - Exterior Solutions: Industrial Mortars, Pipe and Exterior Fittings
- Building Distribution Sector
- Packaging Sector

Management uses several different internal indicators to measure operational performance and to make resource allocation decisions. These indicators are based on the data used to prepare the consolidated financial statements and meet financial reporting requirements. Intragroup ("internal") sales are generally carried out on the same terms as sales to external customers and are eliminated in consolidation. The accounting policies used are the same as those applied for consolidated financial reporting purposes, as described in Note 1.

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

** Other" corresponds to a) the elimination of intragroup transactions for internal sales and b) holding company transactions for the other captions.*
*** Segment assets include net property, plant and equipment, working capital, goodwill and net other intangible assets, after deducting deferred taxes on brands and land.*

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

** "Other" corresponds to a) the elimination of intragroup transactions for internal sales and b) holding company transactions for the other captions.*
*** Segment assets include net property, plant and equipment, working capital, goodwill and net other intangible assets, after deducting deferred taxes on brands and land.*

Information by geographic area

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

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

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

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

NOTE 33 Principal fully consolidated companies

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

Principal fully consolidated companies at December 31, 2009		% interest (held directly and indirectly)
INNOVATIVE MATERIALS SECTOR		
Flat glass		
Saint-Gobain Glass France	France	100.00%
Saint-Gobain Sekurit France	France	100.00%
Saint-Gobain Glass Logistics	France	100.00%
Saint-Gobain Sekurit Deutschland GmbH & CO Kg	Germany	99.92%
Saint-Gobain Glass Deutschland GmbH	Germany	99.92%
SG Deutsche Glas GmbH	Germany	99.92%
Saint-Gobain Glass Benelux	Belgium	99.80%
Saint-Gobain Sekurit Benelux SA	Belgium	99.92%
Saint-Gobain Autover Distribution SA	Belgium	99.92%
Koninklijke Saint-Gobain Glass	Netherlands	100.00%
Saint-Gobain Glass Polska Sp Zoo	Poland	99.92%
Saint-Gobain Sekurit Hanglas Polska Sp. Z O.O	Poland	97.55%
Cebrace Cristal Plano Ltda	Brazil	50.00%
Saint-Gobain Do Brazil Ltda	Brazil	100.00%
Saint-Gobain Cristaleria SA	Spain	99.83%
Solaglas Ltd	United Kingdom	99.97%
Saint-Gobain Glass UK Limited	United Kingdom	99.97%
Saint-Gobain Glass Italia	Italy	100.00%
Saint-Gobain Sekurit Italia	Italy	100.00%
Hankuk Glass Industries	South Korea	80.47%
Hankuk Sekurit Limited	South Korea	90.11%
Saint-Gobain Glass India	India	97.82%
Saint-Gobain Glass Mexico	Mexico	99.83%
High performance materials		
Saint-Gobain Abrasifs	France	99.93%
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	99.93%
SEPR Italia	Italy	100.00%
Saint-Gobain Abrasivos Brasil Ltda	Brazil	100.00%
Saint-Gobain Abrasives BV	Netherlands	100.00%
Saint-Gobain Abrasives Ltd	United Kingdom	99.97%
Saint-Gobain Vertex SRO	Czech Republic	100.00%

Principal fully consolidated companies at December 31, 2009		% 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 Gyproc Belgium NV	Belgium	100.00%
CertainTeed Corporation	United States	100.00%
Saint-Gobain Isover AB	Sweden	100.00%
Saint-Gobain Ecophon Group	Sweden	100.00%
Saint-Gobain Construction Product Russia Insulation	Russia	100.00%
BPB Plc	United Kingdom	100.00%
Certain Teed Gypsum & Ceillings USA	United States	100.00%
Certain Teed Gypsum Canada Inc	Canada	100.00%
Saint-Gobain Gyproc South Africa	South Africa	100.00%
Saint-Gobain Placo Iberica	Spain	99.83%
Saint-Gobain PPC Italia SpA	Italy	100.00%
British Gypsum Ltd	United Kingdom	100.00%
Gypsum industries Ltd	Ireland	100.00%
Placoplatre SA	France	99.75%
Rigips GmbH	Germany	100.00%
Thai Gypsum Products PLC	Thaïland	99.66%
Exterior solutions		
Saint-Gobain Weber	France	99.99%
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 Germany	Germany	99.99%
CertainTeed Corporation	United States	100.00%
Saint-Gobain PAM SA	France	100.00%
Saint-Gobain PAM Deutschland GmbH	Germany	100.00%
Saint-Gobain PAM UK Limited	United Kingdom	99.97%
Saint-Gobain PAM Espana SA	Spain	99.83%
Saint-Gobain PAM Italia s.p.a	Italy	100.00%
Saint-Gobain Canalizaçao SA	Brazil	100.00%
Saint-Gobain Xuzhou Pipe Co Ltd	China	100.00%
BUILDING DISTRIBUTION SECTOR		
Distribution Sanitaire Chauffage	France	100.00%
Lapeyre	France	100.00%
Point.P	France	100.00%
Saint-Gobain Distribucion y Construccion	Spain	99.83%
Saint-Gobain Building Distribution Deutschland GmbH	Germany	100.00%
Saint-Gobain Building Distribution Ltd	United Kingdom	99.97%

Principal fully consolidated companies at December 31, 2009		% interest (held directly and indirectly)
Saint-Gobain Distribution The Netherlands Bv	Netherlands	100.00%
Saint-Gobain Distribution Nordic AB	Sweden	100.00%
Optimera AS	Norway	100.00%
Optimera Danmark A/S	Denmark	100.00%
Sanitas Troesch	Switzerland	100.00%
Norandex Building Material Distribution Inc	United States	100.00%
PACKAGING SECTOR		
Saint-Gobain Emballage	France	100.00%
Saint-Gobain Vidros SA	Brazil	100.00%
Saint-Gobain Oberland AG	Germany	96.67%
Saint-Gobain Vicasa SA	Spain	99.75%
Saint-Gobain Containers Inc.	United States	100.00%
Saint-Gobain Vetri SpA	Italy	99.99%

NOTE 34 Subsequent events

None.

STATUTORY AUDITORS' REPORT

ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2009

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 consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

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

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

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, 2009, on:

- the audit of the accompanying 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, 2009 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

Accounting estimates used for the preparation of the consolidated financial statements for the year ended December 31, 2009 have been made in the context of a sharp deterioration in the economic and financial environment which makes assessing the business outlook very difficult, as described in Note 1 to the consolidated financial statements (Estimates and assumptions). Against this backdrop, and 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 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 25, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit	KPMG AUDIT *Department of KPMG S.A.*
Rémi Didier Jean-Christophe Georghiou	Jean Gatinaud Jean-Paul Vellutini

FINANCIAL STATEMENTS

OF COMPAGNIE DE SAINT-GOBAIN (parent company)

INCOME STATEMENT

(in EUR thousands)		2009	2008
Operating revenue			
Royalties and license fees		104,558	123,257
Other services		67,097	76,044
Net revenue		**171,655**	**199,301**
Write-backs of depreciation, amortization, impairment and provisions		9,193	11,589
Expense transfers		11,494	5,308
Other operating income		298	355
	Total I	**192,640**	**216,553**
Operating expenses			
Other purchases and external charges		(111,791)	(123,046)
Taxes other than on income		(5,954)	(5,967)
Wages and salaries		(33,517)	(36,855)
Payroll taxes		(15,578)	(17,533)
Depreciation, amortization, impairment and provisions		(21,385)	(22,536)
Other operating expense		(2,604)	(2,766)
	Total II	**(190,829)**	**(208,703)**
OPERATING INCOME		**1,811**	**7,850**
Share in profits/(losses) of joint ventures		**–**	**–**
Profits	**Total III**	–	–
Losses	**Total IV**	–	–
Financial income			
Income from investments in subsidiaries and affiliates		755,538	985,604
Income from loans and other investments		738,854	835,876
Income from other non-current investment securities		17	21
Other interest income		112,417	154,095
Write-backs of impairment and provisions, expense transfers		29,735	11,764
Foreign exchange gains		11,278	43,929
Net income from sales of marketable securities		16,323	14,932
	Total V	**1,664,162**	**2,046,221**
Financial expense			
Amortization, impairment and provisions		(30,250)	(23,034)
Interest expense		(740,552)	(889,085)
Foreign exchange losses		(356)	(33,653)
Net losses on sales of marketable securities		–	–
	Total VI	**(771,158)**	**(945,772)**
NET FINANCIAL INCOME (NOTE 2)		**893,004**	**1,100,449**
INCOME BEFORE TAX AND EXCEPTIONAL ITEMS		**894,815**	**1,108,299**

(in EUR thousands)		2009	2008
Exceptional income			
On revenue transactions		6,444	4,709
On capital transactions		8,758	52,880
Write-backs of depreciation, amortization, impairment and provisions		25,457	10,620
	Total VII	40,659	68,209
Exceptional expense			
On revenue transactions		(3,496)	(11,950)
On capital transactions		(10,906)	(56,608)
Depreciation, amortization, impairment and provisions		(33,313)	(4,894)
	Total VIII	(47,715)	(73,452)
NET EXCEPTIONAL EXPENSE (NOTE 3)		**(7,056)**	**(5,243)**
INCOME TAXES (NOTE 4)	**TOTAL IX**	**150,254**	**160,471**
Total income		1,897,461	2,330,983
Total expenses		(859,448)	(1,067,456)
NET INCOME		**1,038,013**	**1,263,527**

BALANCE SHEET AT DECEMBER 31

ASSETS (in EUR thousands)		2009 Gross	2009 Depreciation, amortization and impairment	2009 Net	2008
NON-CURRENT ASSETS					
Intangible assets (Note 5)					
Goodwill [1]		567	(567)	–	–
Other intangible assets		46,480	(41,154)	5,326	7,062
Intangible assets in progress		2,710		2,710	3,221
Property and equipment (Note 6)					
Land		15,146		15,146	620
Buildings		15,099	(1,711)	13,388	12,819
Other		9,671	(5,848)	3,823	4,049
Assets under construction		2,338		2,338	1,129
Financial investments [2] (Note 7)					
Investments in subsidiaries and affiliates		12,369,479	(631)	12,368,848	9,067,258
Loans and advances to subsidiaries and affiliates		11,678,378		11,678,378	12,667,017
Other investment securities		184,104	(59,431)	124,673	127,402
Other loans		679,440		679,440	1,000,373
Other financial investments		328		328	459
	Total I	**25,003,740**	**(109,342)**	**24,894,398**	**22,891,409**
CURRENT ASSETS (Note 8)					
Other receivables [3]		2,320,966		2,320,966	3,384,266
Marketable securities		2,147,765		2,147,765	1,224,550
Cash and cash equivalents		172,214		172,214	28,642
Accruals					
Prepayments [3]		2,328		2,328	4,820
	Total II	**4,643,273**	**–**	**4,643,273**	**4,642,278**
Deferred charges	**Total III**	**52,098**	**–**	**52,098**	**26,410**
Translation losses	**Total IV**	**–**	**–**	**–**	**–**
TOTAL ASSETS		**29,699,111**	**(109,342)**	**29,589,769**	**27,560,097**
(1) Including leasehold rights				–	–
(2) Of which due within one year				2,421,852	2,639,381
(3) Of which due beyond one year				1,655	2,878

SHAREHOLDERS' EQUITY AND LIABILITIES *(in EUR thousands)*		2009	2008
SHAREHOLDERS' EQUITY (Note 9)			
Capital stock		2,051,724	1,530,288
Additional paid-in capital		5,136,291	3,786,714
Revaluation reserve		55,532	55,532
Other reserves:			
Legal reserve [a]		205,172	153,029
Untaxed reserves		2,617,758	2,617,758
Other reserves		301,428	301,428
Unappropriated retained earnings		2,388,142	1,610,624
Net income for the year		1,038,013	1,263,527
Untaxed provisions **(Note 11)**		8,869	6,439
	Total I	**13,802,929**	**11,325,339**
OTHER EQUITY (Note 10)			
Non-voting participating securities	**Total I bis**	**170,035**	**170,035**
PROVISIONS (Note 11)			
Provisions for contingencies		100,959	84,048
Provisions for charges		73,285	67,434
	Total II	**174,244**	**151,482**
LIABILITIES [1] (Note 12)			
Bonds		8,310,977	6,258,699
Bank borrowings [2]		222,188	2,292,346
Other borrowings		6,781,213	7,174,125
Tax and social charges payable		93,213	113,379
Other payables		34,970	74,675
Accruals			
Deferred income		–	–
	Total III	**15,442,561**	**15,913,224**
Translation gains	**Total IV**	**–**	**17**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**29,589,769**	**27,560,097**
(a) of which long-term capital gains reserves		14,225	14,225
(1) of which due beyond one year		8,763,938	9,820,722
of which due within one year		6,678,623	6,092,502
(2) of which short-term bank loans and overdrafts		66,053	83,489

CASH FLOW STATEMENT

(in EUR thousands)	2009	2008
Net income	**1,038,013**	**1,263,527**
Depreciation and amortization	13,988	2,245
Changes in provisions	6,575	14,255
Gains and losses on disposals of assets, net	1,034	(1,359)
Net cash from operations	**1,059,610**	**1,278,668**
(Increase) decrease in other receivables	1,023,580	(868,743)
Increase (decrease) in taxes and social charges payable	(20,166)	55,610
Increase (decrease) in other payables	(30,765)	41,602
Net change in working capital	**972,649**	**(771,531)**
Net cash from/(used in) operating activities	**2,032,259**	**507,137**
Acquisitions of intangible assets	(2,808)	(2,508)
Acquisitions of property and equipment	(17,426)	(1,992)
Proceeds from disposals of property and equipment and intangible assets	–	–
Acquisitions of investments in subsidiaries and affiliates and other investment securities	(3,312,392)	(993,002)
Proceeds from disposals of investments in subsidiaries and affiliates and other investment securities	19,568	52,880
(Increase) decrease in loans and advances to subsidiaries and affiliates	988,639	(942,811)
(Increase) decrease in long-term loans	320,933	(98,368)
(Increase) decrease in other financial investments	131	125
Net cash used in investing activities	**(2,003,355)**	**(1,985,676)**
Issues of capital stock	1,923,156	356,015
Dividends paid	(486,009)	(766,732)
Increase (decrease) in provisions for contingencies and charges	11,545	1,611
Increase (decrease) in short- and long-term debt	(179,074)	1,639,661
Increase (decrease) in bank overdrafts and other short-term debt	(231,718)	1,396,215
Decrease (increase) in marketable securities	(923,215)	(1,174,323)
Increase (decrease) in translation adjustments	(17)	(1,149)
Net cash from financing activities	**114,668**	**1,451,298**
Increase (decrease) in cash and cash equivalent	**143,572**	**(27,241)**
Cash and cash equivalents at beginning of year	28,642	55,883
Cash and cash equivalents at end of year	172,214	28,642
Analysis of cash and cash equivalents at December 31		
Cash at bank	172,214	28,642
Cash on hand	–	–
Total	172,214	28,642

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The financial statements cover the twelve-month period from January 1 to December 31, 2009.

The following notes form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on February 25, 2010.

NOTE 1 Accounting principles and methods

The financial statements of Compagnie de Saint-Gobain have been drawn up in accordance with the accounting principles set out in the 1999 French Chart of Accounts.

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 mainly of computer software. They are measured at cost and amortized over a period of three or five 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 several methods, of which 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, 2009, currency options were held as hedges of operating transactions.

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 an 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.

Since that date, the Company has applied the group relief regime provided for in Articles 223 A et seq. of the French Tax Code.

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.

Under the group relief agreements between Compagnie de Saint-Gobain and the subsidiaries in the tax group, the Company is not required to transfer tax benefits (via a cash payment) to subsidiaries when they return to profit or leave the tax group. No such tax benefits have been transferred by Compagnie de Saint-Gobain to its subsidiaries in the past.

NOTE 2 Net financial income

Net financial income declined by €207.4 million in 2009 to €893.0 million from €1,100.4 million in 2008, reflecting:

- A €230 million decrease in dividends received from subsidiaries.
- An €11.2 million rise in income from loans and investments, net of interest expense.
- A €0.6 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 €0.5 million in 2009, reflecting a €10.8 million improvement compared with net expense of €11.3 million in 2008. The favorable change stemmed from:

- A €0.5 million increase in provision reversals to offset losses on sales of Compagnie de Saint Gobain shares. These losses amounted to €2.8 million in 2009 versus €2.3 million in 2008 and were recorded in exceptional expense.
- A €21.9 million increase in provision reversals related to Compagnie de Saint-Gobain shares held for allocation on exercise of stock options. The provision reversals reflected a reduction in impairment of the shares held for the three stock option plans, which are measured at the lower of the option exercise price and the weighted average share price for the month of December.
- These favorable changes were partly offset by an €11.4 million increase in amortization of debt issuance costs and syndicated loan arrangement fees.

NOTE 3 Exceptional income and expense

The Company reported net exceptional expense of €7.1 million in 2009, primarily comprising:

- A €2.8 million loss on Compagnie de Saint-Gobain shares sold upon exercise of stock options, which was offset by a write-back from the provision for impairment of the shares recognized in financial income (Note 2). Since 2008, in line with the new tax rules (published in the Bulletin Officiel des Impôts issue no. 4N-1-08 dated April 9, 2008), the loss is billed to the companies that employed the option holders at the grant date, in order to preserve its deductibility. The amount billed, representing taxable income, came to €1.7 million in 2009 and was included in exceptional items.
- A net gain of €2.9 million on sales of the Company's shares under the liquidity contract managed by Exane.
- Net charges to provisions for taxes in the amount of €5.2 million.
- €1.1 million in expenses to prepare the sale of investments in subsidiaries and affiliates.
- €2.4 million in accelerated capital allowances recognized during the year.

NOTE 4 Income taxes

The Company recorded a net income tax benefit of €150.3 million in 2009, corresponding primarily to:

- French group relief of €132.7 million for 2009, net of income tax expense of €42.5 million due by Compagnie de Saint-Gobain on a stand-alone basis.
- Net income tax expense of €2.8 million in respect of tax adjustments related to prior years and reversals of deferred tax assets.
- A tax benefit of €20.4 million for the Company's German branch, including €11.1 million under the German group relief regime (Organschaft).

The French tax group incurred a tax loss in 2009, giving rise to a future tax saving of €64 million. The German branch also reported a loss under the *Organschaft* regime, giving rise to a future tax saving of €10.1 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, 2009	Additions	Disposals	Gross at December 31, 2009	Accumulated at January 1, 2009	Increases	Decreases	Accumulated at December 31, 2009
Purchased goodwill	567	–	–	567	567		–	567
Other intangible assets	43,350	3,319	(189)	46,480	36,288	5,055	(189)	41,154
Greenhouse gas emissions allowances	–	–	–	–	–	–	–	–
Intangible assets in progress	3,221		(511)	2,710	–	–	–	–
	47,138	**3,319**	**(700)**	**49,757**	**36,855**	**5,055**	**(189)**	**41,721**

The negative amount shown on the "Intangible assets in progress" line under "Disposals" corresponds to expenditure for the year less the value of assets put into service during the year and reclassified to another intangible assets account.

NOTE 6 Property and equipment

	Intangible assets				Amortization			
(in EUR thousands)	Gross at January 1, 2009	Additions	Disposals	Gross at December 31, 2009	Accumulated at January 1, 2009	Increases	Decreases	Accumulated at December 31, 2009
Land [1]	620	14,526	–	15,146	–	–	–	–
Buildings [1]	13,799	1,300		15,099	980	731		1,711
Other	9,809	391	(529)	9,671	5,760	616	(528)	5,848
Assets under construction [2]	1,129	1,209		2,338	–	–	–	–
Prepayments	–			–	–	–	–	–
	25,357	**17,426**	**(529)**	**42,254**	**6,740**	**1,347**	**(528)**	**7,559**

(1) The increase in "Land" corresponds to the exercise, on January 30, 2009, of the purchase option under the December 18, 1996 finance lease on the Company's headquarters building in La Défense (Les Miroirs). The building had been fully depreciated when the option was exercised. Its residual value and purchase price were therefore both equal to zero.
(2) The negative amount shown on the "Assets under construction" line under "Disposals" corresponds to expenditure for the year less the value of assets put into service during the year and reclassified to another property or equipment account.

NOTE 7 Financial investments

Financial investments

(in EUR thousands)	Gross at January 1, 2009	Financial investments Additions	Disposals	Gross at December 31, 2009
Investments in subsidiaries and affiliates	9,067,897	3,551,941	(250,359)	12,369,479
Loans and advances to subsidiaries and affiliates	12,667,017	19,294,687	(20,283,326)	11,678,378
Other investment securities	193,896		(9,792)	184,104
Other loans	1,000,373	2,387,068	(2,708,001)	679,440
Other financial investments	459	145	(276)	328
	22,929,642	**25,233,841**	**(23,251,754)**	**24,911,729**

Changes in investments in subsidiaries and affiliates

(in EUR thousands)	Additions	Disposals
Participation in the rights issue by SG Benelux	412,000	
Participation in the rights issue by SG Do Brasil	59,553	
Participation in the rights issue by SPAFI	2,440,837	
Participation in the rights issue by VERTEC	400,000	
Purchase of SG Campus from SG Recherche	2	
SG Campus capital reduction		(6,464)
Liquidation of SG Campus (net assets transferred to CSG)		(4,346)
Internal restructuring operations		
1 Merger of Jarvis Participacoes LTDA		(77,302)
into SG Do Brasil	77,302	
2 Transfer of ISG shares to Spafi		(162,247)
Transfer of ISG shares to Spafi	162,247	
Total	**3,551,941**	**(250,359)**

Analysis of loans, receivables and other financial investments by maturity

(in EUR thousands)	Total	Due Within 1 year	Beyond 1 year
Loans and advances to subsidiaries and affiliates	11,678,378	1,742,413	9,935,965
Other loans	679,440	679,439	1
Other	328	–	328
Total	**12,358,146**	**2,421,852**	**9,936,294**

Changes in other investment securities

(in EUR thousands)	Additions	Disposals
Sales of Compagnie de Saint-Gobain shares	–	(9,792)
Other sales of shares	–	–
Total	**–**	**(9,792)**

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, 2006	**6,739,668**	**317,674**	**226,579**
Shares purchased in 2007	–	–	–
Shares sold in 2007	(2,460,265)	(118,317)	(78,368)
Shares cancelled in 2007	–	–	–
Adjustments to provision for impairment in value	–	–	–
At December 31, 2007	**4,279,403**	**199,357**	**148,211**
Shares purchased in 2008	–	–	–
Shares sold in 2008	(115,490)	(5,726)	(3,398)
Shares cancelled in 2008	–	–	–
Adjustments to provision for impairment in value	–	–	(17,631)
At December 31, 2008	**4,163,913**	**193,631**	**127,182**
Shares purchased in 2009	–	–	–
Shares sold in 2009	(215,304)	(9,792)	(7,008)
Shares cancelled in 2009	–	–	–
Adjustments to provision for impairment in value	–	–	4,286
At December 31, 2009	**3,948,609**	**183,839**	**124,460**

The **3,948,609** shares shown in the table above are held in connection with stock option plans.

The Company also holds **255,790** 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, 2009 to **4,204,399**.

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	2,320,966	2,319,608	1,358
Prepayments	2,328	2,031	297
Total	**2,323,294**	**2,321,639**	**1,655**
Provisions for doubtful receivables	–	–	–

Analysis of "Other receivables"

(in EUR thousands)	2009	2008
Current account advances to subsidiaries	2,211,215	3,268,448
Income tax prepayments	64,922	2,057
Accounts receivable – Group	28,805	26,227
Prepaid and recoverable taxes	6,801	2,903
Goods and services delivered but not yet invoiced	3,665	281
Mark-to-market adjustments to swaps and options [1]	1,513	78,277
Recoverable withholding tax	148	153
Dividends receivable – Group	–	1,442
Other	3,897	4,478
TOTAL	**2,320,966**	**3,384,266**

(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 €2,148 million at December 31, 2009.

The total included €2,119 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, 2009 comprised:

- €18.9 million worth of units in a euro-denominated money market fund, and
- 255,790 Compagnie de Saint-Gobain shares with a carrying value of €9.6 million.

Marketable securities are valued using the first in-first out (FIFO) method.

NOTE 9 Shareholders' equity

9.1 Changes in capital stock

Par value at December 31, 2008: €4 Par value at December 31, 2009: €4	Number of shares	Amount *(EUR thousands)*
Capital stock at January 1, 2009	382,571,985	1,530,288
March 23, 2009 rights issue	108,017,212	432,069
Shares issued under the Group Savings Plan on May 12, 2009	8,498,377	33,993
Shares issued in payment of dividends on June 29, 2009	13,805,920	55,224
Shares issued upon exercise of stock options on December 31, 2009	37,522	150
Capital stock at December 31, 2009	**512,931,016**	**2,051,724**

At December 31, 2009, capital stock amounted to €2,051,724 thousand, represented by **512,931,016** 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, 2008 before appropriation of 2008 net income	**11,325,339**
March 23, 2009 rights issue	1,474,074
Shares issued under the Group Savings Plan on May 12, 2009	133,619
Payment in 2009 of the 2008 dividend	(486,009)
Shares issued in payment of dividends on June 29, 2009	314,252
Shares issued upon exercise of stock options on December 31, 2009	1,211
Other changes – adjustments to the revaluation reserve and untaxed provisions	2,430
Net income for 2009	1,038,013
Shareholders' equity at December 31, 2009 before appropriation of 2009 net income	**13,802,929**

9.3 Main changes in shareholders' equity

The main changes in capital stock and shareholders' equity in 2009 were as follows:

- **March 23 rights issue:** a total of 108,017,212 new shares were issued at a price of €14. The issue gross proceeds amounted to €1,512,241 thousand (€1,474,074 thousand net after deducting the issue costs, net of tax, from the premium).
- **Stocks dividends option:** a total of 13,805,920 new shares were issued at a price of €22.83. The issue gross proceeds amounted to €315,189 thousand (€314,252 thousand net after deducting the issue costs, net of tax, from the premium). Cash dividends paid during the year totaled €171,757 thousand.
- **Group Savings Plan:** a total of 8,498,377 new shares were issued at a price of €15.80. The issue gross proceeds amounted to €134,274 thousand (€133,619 thousand net after deducting the issue costs, net of tax, from the premium).
- **Stock option plans:** a total of 37,522 shares were issued during the year at a price of €32.26 upon exercise of stock options granted under the November 2003 plan. The gross and net issue proceeds amounted to €1,211 thousand and the issues were placed on record on December 31, 2009.

As a result of these issues, **capital stock** increased by €521,436 thousand, the **legal reserve** by €52,144 thousand, and **additional paid-in capital** by €1,349,576 thousand.

Changes in **unappropriated retained earnings** during the year were as follows (in EUR thousands):

• At December 31, 2008 (before appropriation of 2008 net income):	1,610,624
Appropriation of net income (3rd resolution of the AGM of June 4, 2009):	
• Net income for the year	1,263,527
• Less: final dividend taking into account the actual number of own shares held:	–486,009
• At December 31, 2009 (before appropriation of 2009 net income):	2,388,142 k€

9.4 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 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 of Compagnie de Saint-Gobain and the Appointments Committee of the Board of Directors.

All options granted between 1999 and 2002 were exercisable for existing shares, while those granted between 2003 and 2007 were exercisable for new shares. For the November 20, 2008 and November 19, 2009 plans, the origin of the shares will be determined at the latest at the end of the four-year vesting period. If an option holder were to die or any of the events provided for in the General Tax Code were to occur during the four-year vesting period, only options exercisable for new shares would vest.

Until 2008, only options granted to certain categories of grantee were subject to performance conditions. All options granted under the 2009 plan are performance stock options that will vest only if return on capital employed (ROCE) reaches a certain level in 2010, 2011 and 2012. One-third of the options will vest if the ROCE target is met or exceeded in only one of the three years, two-thirds if the target is met or exceeded in two of the three years and all of the options if the target is met or exceeded in all three years. If the target is not met in any of the three years, none of the options will vest.

For options granted under the November 19, 2009 plan, the value used to calculate the 10% *contribution sociale* tax due by grantees employed by French companies in the Group was €9.63 per option (corresponding to 25% of the opening share price on November 19).

Movements relating to stock options outstanding in 2007, 2008 and 2009 are summarized below:

	€4 par value shares	Average exercise price *(in EUR)*
Options outstanding at December 31, 2006	**21,547,968**	**42.38**
Options granted	3,673,000	71.56
Options exercised	(3,178,885)	33.04
Options forfeited	(50,000)	58.10
Options outstanding at December 31, 2007	**21,992,083**	**48.56**
Options granted	3,551,900	28.62
Options exercised	(198,376)	33.33
Options forfeited	(50,000)	71.56
Options outstanding at December 31, 2008	**25,295,607**	**45.84**
Impact of conversions following March 23 rights issue [1]	2,674,999	
Options granted	1,479,460	36.34
Options exercised	(252,826)	32.50
Options forfeited	(533,898)	43.63
Options outstanding at December 31, 2009 [1]	**28,663,342**	**41.23**

(1) 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.

The following table presents information about stock options outstanding at December 31, 2009:

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	
2000	34.11	944,230	11	–	–	944,230	Purchase
2001	36.37	1,888,626	23	–	–	1,888,626	Purchase
2002	21.28	1,252,834	35	–	–	1,252,834	Purchase
2003	32.26	2,920,903	47	–	–	2,920,903	Subscription
2004	39.39	4,014,816	59	–	–	4,014,816	Subscription
2005	41.34	4,066,120	71	–	–	4,066,120	Subscription
2006	52.52	1,866,395	83	52.52	2,440,059	4,306,454	Subscription
2007	64.72	–	95	64.72	3,917,673	3,917,673	Subscription
2008	25.88	–	107	25.88	3,872,226	3,872,226	See Note 9.4
2009	36.34	–	119	36.34	1,479,460	1,479,460	See Note 9.4
Total	**–**	**16,953,924**	**–**	**–**	**11,709,418**	**28,663,342**	**–**

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

9.5 Performance share grants

At its meeting on November 19, 2009, the Board of Directors decided to set up the Company's first performance share plan.

- Under the plan terms, eligible employees and officers of the Saint-Gobain Group in France and abroad were each awarded seven performance shares. The eligibility criterion was based on the grantee's period of service with the Group. The performance shares will vest if the average of the rates of growth in the Group's consolidated operating income (excluding the Packaging Sector) for the years 2010 and 2011 exceeds a certain level. If this performance criterion is not met, no performance shares will be delivered at the end of the vesting period.

In all, an estimated **1,052,716** performance shares may vest, as follows:

- For eligible Group employees in France, Spain and Italy, the vesting period will end on March 29, 2012 and the shares will be delivered on March 30, 2012. After taking into account turnover assumptions (grantee resignations) in each of these three countries, the potential number of shares to be delivered on March 30, 2102 if the performance criterion is met is estimated at 383,257. 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. After taking into account turnover assumptions (grantee resignations) in each of these countries, the potential number of shares to be delivered on March 31, 2014 if the performance criterion is met is estimated at 669,459. No lock-up period will apply.
- The Board also decided to set up a combined stock option/performance share plan for certain eligible managers and senior executives in France and abroad. Information about the stock option plan is provided in Note 9.4.

For the performance share plan, the eligibility criterion is based on the grantee's period of service with the Group. The performance shares will vest if the Group's return on capital employed (ROCE) for 2010 and 2011 exceeds a certain level. If the ROCE target is met in only one of the two years, only half of the performance shares will vest. The total number of performance shares will vest only if the ROCE target is met in both years.

In all, an estimated **622,790** performance shares may vest, as follows:

- For eligible Group employees in France, the vesting period will end on March 29, 2012 and the shares will be delivered on March 30, 2012. The potential number of shares to be delivered on March 30, 2012 if the performance criterion is met is estimated at 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 employees in all other countries, the vesting period will end on March 30, 2014 and the shares will be delivered on March 31, 2014. The potential number of shares to be delivered on March 31, 2014 if the performance criterion is met is estimated at 362,390. No lock-up period will apply.

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 share purchase price, 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 discount of 20%, or 15% for the leveraged plans established in 2007 and 2008.

The shares are subject to a five or ten-year lock-up, at the choice of employees, or a five-year lock-up in the case of the leveraged plan. During the lock up period shares may not be sold except in the case of exceptional events.

In 2009, 8,498,377 shares with a par value of €4 were issued to employees under the Group Savings Plan at an average price of €15.80 (2008: 8,272,947 shares at an average price of €42.72).

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:

- Issue, on one or several occasions, up to 195 million new shares with or without pre-emptive or priority subscription rights for existing shareholders (thirteenth to seventeenth resolutions/ 26-month authorization commencing June 4, 2009).
- Issue, on one or several occasions, up to 23.75 million new shares to members of the Group Savings Plan (eighteenth resolution/26-month authorization commencing June 4, 2009).
- Grant stock options exercisable for shares representing up to 3% of capital stock on the Meeting date, i.e. 14,972,627 options exercisable for the same number of shares (nineteenth resolution/38-month authorization commencing June 4, 2009).

In the twentieth resolution, the Board was authorized to make performance share grants representing up to 1% of the capital stock on the Meeting date, i.e. grants of 4,990,875 shares. If this authorization were to be used, the performance shares would be deducted from the shares available for the stock option plan.

The Board of Directors used this authorization on November 19, 2009 to grant:

- 1,479,460 stock options (see Note 9.4)
- 1,675,506 performance shares (see Note 9.5).

After taking into account these grants, the Board of Directors may grant a further 11,817,661 potential shares (of which 3,315,369 performance shares).

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

At the Annual General Meeting of June 4, 2009, the Board of Directors was authorized to issue 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 (twenty-second resolution). Under this authorization, the Group may issue up to €490 million worth of stock (excluding premiums), representing 122,500,000 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, 2009, 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 2009 came to €10.1 million (2008: €10.5 million).

NOTE 11 Provisions

(in EUR thousands)	At January 1, 2009	Charge for the year	Write-backs of utilized provisions	Write-backs of surplus provisions	Other (transfers)	At December 31, 2009
Untaxed provisions						
Reinvested capital gains	6,427					6,427
Other	12	2,430				2,442
	6,439	**2,430**	**–**	**–**	**–**	**8,869**
Provisions for contingencies						
Provisions for taxes	81,503	30,643	(25,430)		11,586	98,302
Provisions for stock options	–					–
Provisions for other contingencies	2,545	178	(27)		(39)	2,657
	84,048	**30,821**	**(25,457)**	**–**	**11,547**	**100,959**
Provisions for charges						
Provisions for pensions and other post-employment benefit obligations (1)	67,001	14,974	(9,154)			72,821
Other provisions for charges	433	70	(39)			464
	67,434	**15,044**	**(9,193)**	**–**	**–**	**73,285**
Provisions for impairment						
Investments in subsidiaries and affiliates	639		(8)			631
Other investment securities	66,494	13,725	(2,784)	(18,004)		59,431
Doubtful receivables	–					–
Marketable securities	–					–
	67,133	**13,725**	**(2,792)**	**(18,004)**	**–**	**60,062**
Impact on operating income		**14,982**	**(9,193)**			
Impact on net financial income		**13,725**	**(2,792)**	**(18,004)**		
Impact on exceptional items		**33,313**	**(25,457)**			

(1) The Company's obligations with respect to pensions 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 5.00% in 2009 and 6.25% in 2008.

NOTE 12 Debt and payables

Total debt and payables decreased by a net amount of €471 million to €15,443 million at December 31, 2009. Bank borrowings were reduced by €2,070 million, bond debt increased by €2,052 million and other borrowings decreased by €393 million, while tax and social charges payable and other payables were €60 million lower.

Maturities of debt and payables

(in EUR thousands)	Total	Due Within 1 year	Due Beyond 1 year
Bonds [1]	8,310,977	602,857	7,708,120
Bank borrowings [1] and [2]	222,188	67,188	155,000
Other borrowings [1] and [3]	6,781,213	5,883,140	898,073
Sub-total Debt	**15,314,378**	**6,553,185**	**8,761,193**
Tax and social charges payable	93,213	93,213	–
Other payables [3]	34,970	32,225	2,745
Deferred income	–	–	–
Total payables [4]	**15,442,561**	**6,678,623**	**8,763,938**
(1) New debt for the year	4,954,293		
Debt repaid during the year	5,365,085		
(2) Of which:			
– Debt with original maturity of up to two years	67,188		
– Debt with original maturity of more than two years	155,000		
(3) Of which:			
- Shareholders' loans	None		
- New loans from subsidiaries	826,483		
– Loans from subsidiaries repaid during the year	986,250		
(4) Of which debt due beyond 5 years	2,858,847		

Analysis of long- and short-term debt

(in EUR thousands)	2009	2008
Medium and long-term debt		
Long-term portion		
Due between January 1 and December 31		
- 2010	–	3,467,619
- 2011	1,520,000	1,100,000
- 2012	1,250,000	1,250,000
- 2013 and beyond	5,957,946	3,962,268
No fixed maturity	33,247	33,287
"Total long- and medium-term debt excluding short-term portion"	**8,761,193**	**9,813,174**
Short-term portion	**2,098,274**	**1,225,367**
Total	**10,859,467**	**11,038,541**
Short-term debt		
Euro commercial paper (in EUR)	–	690,000
Borrowings from Group entities	4,382,168	3,903,799
Bank overdrafts and other short-term borrowings	66,053	83,489
Other	6,690	9,341
Total	**4,454,911**	**4,686,629**
TOTAL LONG- AND SHORT-TERM DEBT	**15,314,378**	**15,725,170**

Long-term debt can be analyzed as follows by currency:

(in EUR thousands)	2009	2008
Euro	10,142,576	10,368,122
US dollars	–	–
Pounds sterling	678,932	633,028
Czech koruna	37,959	37,391
Total	**10,859,467**	**11,038,541**

Debt issuance costs are amortized over the life of the debt, from the issue date. These costs are recorded in assets, under "Deferred charges", as follows:

(in EUR thousands)	2009	2008
Deferred charges	52,098	26,410

In 2009, new debt issuance costs recorded under "Deferred charges" totaled €45 million and amortization for the year amounted to €19 million.

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

12.2 Main changes in long- and short-term debt in 2009

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

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

During 2009, Compagnie de Saint-Gobain redeemed at maturity €1 billion worth of bonds held by Saint-Gobain Nederland, for a net amount of €986.2 million.

12.3 Financing programs

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

At December 31, 2009, issuance under these programs was as follows:

Programs *(in millions of currency units)*	Currency	Issue period	Authorized program at December 31, 2009	Outstanding issues at December 31, 2009	Outstanding issues at December 31, 2008
Medium Term Notes	EUR	1 to 30 years	10,000 million	6,120	3,917
US Commercial Paper	USD	Up to 12 months	1,000 million*	–	–
Euro Commercial Paper	USD	Up to 12 months	1,000 million*	–	–
Billets de Trésorerie	EUR	Up to 12 months	3,000 million	–	690

* Equivalent to €694,2 million based on the exchange rate at December 31, 2009.

In accordance with market practices, *"Billets de Trésorerie"*, Euro Commercial Paper and US Commercial Paper are generally issued with maturities of one to six months.

Syndicated and bilateral lines of credit

Compagnie de Saint-Gobain's US Commercial Paper, Euro Commercial Paper and *"Billets de Trésorerie"* programs are backed by a €2 billion confirmed syndicated line of credit expiring in November 2011 that is not subject to any covenants based on financial ratios.

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

The facility agreement includes a covenant stipulating that the Group's net debt/EBITDA ratio, as measured annually at December 31, must at all times represent less than 3.75. Saint-Gobain complied with this covenant at December 31, 2009.

Neither of these confirmed lines of credit was drawn down at December 31, 2009.

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

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

NOTE 13 Related party transactions

(in EUR thousands)	Net amount concerning Related companies [1]	Other Investees [2]	Other companies	Net balance sheet amount
Investments in subsidiaries and affiliates	12,368,583	265		12,368,848
Loans and advances to subsidiaries and affiliates	11,678,378			11,678,378
Other investment securities	124,461		212	124,673
Loans	669,886		9,554	679,440
Other receivables	2,243,438	2,739	74,789	2,320,966
Marketable securities	9,617		2,138,148	2,147,765
Cash and cash equivalents			172,214	172,214
Bonds			8,310,977	8,310,977
Bank borrowings			222,188	222,188
Other borrowings	6,734,436		46,777	6,781,213
Tax and social charges payable	58,561		34,652	93,213
Other payables	9,853		25,117	34,970
Income from investments in subsidiaries and affiliates	755,623		(68)	755,555
Income from loans and other investments	738,854			738,854
Other interest income	8,810		103,607	112,417
Interest expense	150,670	25	589,857	740,552

(1) Fully consolidated companies.
(2) Companies that are not fully consolidated.

NOTE 14 Investment portfolio

(in EUR thousands)	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	58.55	76,652,170
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	88.69	1,667,698
Saint-Gobain Isover G+H AG	Germany	153,791	99.91	3,196,976
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		**12,368,848**		
Cie de Saint-Gobain (treasury stock)	France	124,460	0.77	3,948,609
Miscellaneous French companies		213	-	-
Other investment securities		**124,673**		
TOTAL		**12,493,521**		

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)*	Book value of shares held Net *(EUR k)*	Loans and advances granted by the Company *(EUR k)*	Guarantees given by the Company *(EUR k)*	2009 net sales	2009 net income (loss)	Dividends received in 2009 *(EUR k)*
1 - SUBSIDIARIES At least 50%-owned by Compagnie de Saint-Gobain										(1)
Spafi 18, avenue d'Alsace 92400 Courbevoie	EUR k 2,842,370	EUR k 2,887,658	100.00	5,329,623	5,329,623	-		EUR k -	EUR k 138,887	139,548
Partidis 18, avenue d'Alsace 92400 Courbevoie	EUR k 1,193,509	EUR k 845,111	100.00	2,065,919	2,065,919	1,357,473		EUR k 8,663	EUR k 125,136	127,177
Saint-Gobain Matériaux de Construction 18, avenue d'Alsace 92400 Courbevoie	EUR k 1,310,221	EUR k (229,453)	100.00	1,723,712	1,723,712	4,685,345		EUR k 23,094	EUR k (167,946)	–
Vertec 18, avenue d'Alsace 92400 Courbevoie	EUR k 188,408	EUR k 884,644	100.00	891,039	891,039	–		EUR k –	EUR k 156,730	220,007
Saint-Gobain Bénélux Boulevard de la Plaine,5 B,1050 Bruxelles	EUR k 812,345	EUR k 2,299	100.00	812,344	812,344	19,363		EUR k –	EUR k 18,798	14,605
Saint-Gobain Building Distrib Deutsch Hanauer Landstrasse,,150 D-60314 Frankfurt am Main	EUR k 100,000	EUR k 94,600	100.00	194,609	194,609	-		EUR k 1,189,950	EUR k (25,384)	(25,384)
Saint-Gobain Glass Bénélux SA Rue des Glaces Nationales,,169 B-5060 Sambreville	EUR k 70,900	EUR k 115,541	88.69	160,880	160,880	-		EUR k 90,660	EUR k (43,020)	–
Saint-Gobain Isover G+H AG 1 Burgermeister-Grünzweig Strasse D-67059 Ludwigshafen	EUR k 82,000	EUR k 11,291	99.91	153,791	153,791	-		EUR k 363,066	EUR k 175,068	175,069
Saint-Gobain Vetrotex Deutschland GmbH Bicheroux Strasse,61 D-52134 Herzogenrath	EUR k 23,008	EUR k 139,936	100.00	153,669	153,669	-		EUR k 16,214	EUR k (17,251)	(17,251)
Saint-Gobain Glass Deutschland GmbH Viktoria - Allee,3-5 D-52066 Aachen	EUR k 102,258	EUR k 35,889	60.00	87,197	86,660	-		EUR k 368,777	EUR k 17,747	20,645
Saint-Gobain Do Brasil 482, avenida Santa Marina Agua Branca 05036-903 São Paulo-SP (Brésil)	BRL k 1,309,074	BRL k 3,687	58.55	220,001	220,001	-		BRL k 1,813,328	BRL k 225,202	44,130
Saint-Gobain Autoglas GmbH Viktoria - Allee,3-5 D-52066 Aachen	EUR k 102,258	EUR k 19,130	60.00	72,833	72,833	-		EUR k -	EUR k (25,025)	(25,025)
Saint-Gobain Schleifmittel-Beteiligungen GmbH Viktoria - Allee,3-5 D-52066 Aachen	EUR k 10,226	EUR k 50,925	100.00	61,151	61,151	-		EUR k -	EUR k (10,895)	(10,895)

Companies *(in thousands of euros or local currency)*	Capital stock	Reserves	% interest	Book value of shares held Gross *(EUR k)*	Book value of shares held Net *(EUR k)*	Loans and advances granted by the Company *(EUR k)*	Guarantees given by the Company *(EUR k)*	2009 net sales	2009 net income (loss)	Dividends received in 2009 *(EUR k)*
Saint-Gobain Vidros SA 482, avenida Santa Marina Agua Branca 05036-903 São Paulo-SP (Brésil)	BRL k 371,159	BRL k -	99.96	67,181	67,181	-		BRL k 466,066	BRL k 16,286	5,045
Jarvis Participacoes LTDA [2] 482, avenida Santa Marina Agua Branca 05036-903 São Paulo-SP (Brésil)	BRL k -	BRL k -	-	-	-	-		BRL k -	BRL k -	15,859
2 - AFFILIATES 10% to 50%-owned by Compagnie de Saint-Gobain										
Saint-Gobain Cristaleria Edificio Ederra Centro Azca Paseo de la Castellana,77 28046 Madrid	EUR k 134,512	EUR k 657,602	16.35	211,220	211,220	394,677		EUR k 429,013	EUR k 22,130	17,739
Saint-Gobain Emballage 18, avenue d'Alsace 92400 Courbevoie	EUR k 42,069	EUR k 420,246	20.52	61,553	61,553	30,221		EUR k 664,037	EUR k 154,198	34,571
SEPR 18, avenue d'Alsace 92400 Courbevoie	EUR k 63,361	EUR k 6,378	25.73	53,310	53,310	57,528		EUR k 194,872	EUR k 39,274	15,057
OTHER COMPANIES										
Subsidiaries (over 50%-owned)										
Total French companies				3,900	3,900	138,983				1,120
Total foreign companies				14,045	14,045	10,241	1,500,848			1,269
Affiliates (10% to 50%-owned)										
Total French companies										-
Total foreign companies				648	648					
Other investments				**31,119**	**30,972**	**902,935**				**2,269**
Own shares				**183,839**	**124,461**					
TOTAL				**12,553,583**	**12,493,521**	**7,596,766**	**1,500,848**			**755,555**

(1) The amount shown for subsidiaries of the German branch corresponds to 2009 profit or loss transferred under the group relief system.
(2) Jarvis Participacoes LTDA was merged into SG Do Brasil on June 30, 2009.

NOTE 16 Financial commitments excluding leases

Commitments given

(in EUR thousands)	Amount
Guarantees [1]	1,696,987
Other commitments given	
A. Commitment related to the fine levied on the Flat Glass business by the European Commission (see Note 20 Litigation § 20.2)	934,148
B. Commitments towards other members of "GIE" intercompany partnerships	6,338
Total	**2,637,473**
[1] Of which guarantees given on behalf of consolidated companies	1,500,848

Commitments received

(in EUR thousands)	Amount
Guarantees Retention money	71
Other commitments received Debt waivers with a clawback clause	3,720
Total	**3,791**
Of which: Commitments received from consolidated companies	3,720

Commitments relating to **currency hedging instruments** are as follows:

(in thousands of the currency concerned)		Amount
Equivalent in euros of forward purchases and sales of foreign currency	EUR	351,429
Purchased currency options	EUR	39,764
Written currency options	EUR	39,764
Currency swaps	EUR	2,283,760

Commitments relating to **interest rate hedging instruments** are as follows:

At December 31, 2009 *(Euro equivalent in thousands)*	Amount
Interest rate swaps (fixed rate borrower/variable rate lender)	1,250,000
Interest rate swaps (fixed rate lender/variable rate borrower)	560,000
Interest rate swaps (variable rate lender/variable rate borrower)	155,000
Greenhouse gas emission allowance swaps – sales of EUAs/purchases of CERs	–
Greenhouse gas emission allowance swaps – purchases of CERs/sales of EUAs	–
Commodity swaps - fixed price payer /variable price receiver	101,269
Commodity swaps - variable price payer /fixed price receiver	101,269

NOTE 17 Lease commitments

On December 18, 1996, Compagnie de Saint-Gobain entered into a 12-year finance lease on its head office building in La Défense (Les Miroirs), starting February 1, 1997.

(in EUR thousands)	Headquarters building
Cost at inception of the lease	**80,798**
Depreciation	
Accumulated depreciation at January 1, 2009	17,447
Depreciation for the year	1,464
Total	**18,911**
Lease payments	
Cumulative lease payments at January 1, 2009	109,625
Lease payment for the year	773
Total	**110,398**
Future minimum lease payments	
Due within one year	–
Due in one to five years	–
Due beyond 5 years	–
Total	**–**
Residual value	
Within one year	–
In one to five years	–
Beyond 5 years	–
Total	**–**

The purchase option was exercised at the end of the lease, on January 30, 2009, at a price equal to the residual value (Note 6).

NOTE 18 Fees paid to the Statutory Auditors

The total fees paid to the auditors in 2009, as reflected in the income statement, include:

- Statutory audit fees of €1,374 thousand
- Fees for audit-related advice and services of €298 thousand.

NOTE 19 Employees

Number of employees

	2009	2008
Paris Head Office (Les Miroirs)		
Managers	166	167
Supervisors	51	53
Administrative staff	7	8
Total	**224**	**228**
Of which employees under fixed-term contracts	12	2

	2009	2008
German branch (Aix la Chapelle)		
Managers	55	45
Supervisors	108	84
Administrative staff	1	1
Total	**164**	**130**
Of which employees under fixed-term contracts	12	4

Statutory training entitlement

Unused vested training entitlements under Act no. 2004.391 of March 4, 2004 relating to lifelong learning amounted to 17,487 hours at December 31, 2009, representing an estimated cost of €323 thousand.

Management compensation

Compensation received by the Group's directors and officers directly and indirectly from Group companies within and outside France totaled €10.2 million in 2009 (2008: €14.9 million), including variable bonuses of €2.6 million (2008: €5.4 million). No termination benefits were paid in 2009 (2008: €1.5 million).

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 €36.9 million at December 31, 2009.

Attendance fees paid to directors for 2009 totaled €0.8 million (2008: €0.8 million).

NOTE 20 Litigation

20.1 Asbestos-related litigation

The discussion below concerns asbestos-related litigation involving Group subsidiaries. The related costs and provisions are recorded in the accounts of the subsidiaries concerned.

Asbestos-related litigation in France

In France, further individual lawsuits were filed in 2009 by former employees (or persons claiming through them) of Everite and Saint-Gobain PAM ("the employers") – which in the past had carried out fiber-cement operations – for asbestos-related occupational diseases, with the aim of obtaining supplementary compensation over and above the amounts paid by the French Social Security authorities in this respect. A total of 704 such lawsuits have been issued against the two companies since 1997.

At December 31, 2009, 614 of these 704 lawsuits had been completed in terms of both liability and quantum. In all of these cases, the employers were held liable on the grounds of "inexcusable fault".

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

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

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

In addition, as of December 31, 2009, 121 suits based on inexcusable fault had been filed by current or former employees of 12 other French companies in the Group (excluding Saint-Gobain Desjonquères and Saint-Gobain Vetrotex, which have been sold), in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.

At that date, 85 lawsuits had been completed. In 23 of these cases, the employer was held liable for inexcusable fault.

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

Asbestos-related litigation in the United States

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

Developments in 2009

About 4,000 new claims were filed against CertainTeed in 2009, compared to about 5,000 in 2008, 6,000 in 2007, 7,000 in 2006 and 17,000 in 2005. This decline was felt over the last five years in most States, particularly in those that had seen the greatest numbers of claims in the previous years. It reflects State court rulings as well as changes in local legislation in various States to introduce stricter medical criteria for new claims.

Almost all of the claims against CertainTeed are settled out of court. Approximately 8,000 of the pending claims were resolved in 2009, about the same number as were resolved in 2008 and in 2007, compared to 12,000 in 2006 and 20,000 in 2005. Taking into account the 68,000 outstanding claims at the end of 2008 and the new claims having arisen during the year, as well as claims settled or placed in inactive docket, some 64,000 claims were outstanding at December 31, 2009. A large number of these pending claims were filed more than five years ago by individuals without any significant asbestos-related impairment, and it is likely that many of them ultimately will be dismissed.

Impact on the Group's accounts

The Group recorded a €75 million charge in 2009 to cover future developments in relation to claims involving CertainTeed. This amount is identical to the amount recorded in 2008, and slightly lower than the €90 million recorded in 2007, the €95 million recorded in 2006 and the €100 million recorded in 2005.
At December 31, 2009, the Group reserve for asbestos-related claims against CertainTeed in the United States amount to €347 million, (USD 500 million), compared with €361 million, (USD 502 million) at December 31, 2008, €321 million (USD 473 million) at December 31, 2007, €342 million (USD 451 million) at December 31, 2006 and €358 million (USD 422 million) at December 31, 2005.

- **Cash flow impact**

Compensation paid in respect of these claims against CertainTeed, including claims settled prior to 2009 but only paid out in 2009, and those fully resolved and paid in 2009, and compensation paid (net of insurance) in 2009 by other Group businesses in connection with asbestos-related litigation, amounted to €55 million (USD 77 million), compared to €48 million (USD 71 million) in 2008, €53 million (USD 73 million) in 2007, €67 million (USD 84 million) in 2006 and €72 million (USD 89 million) in 2005. The increase of the total amount of the compensation paid in 2009 compared to the amount paid in 2008 is mainly due to the higher number of malignant claims among the resolved claims. This upward trend should continue in 2010.

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 were outstanding at December 31, 2009, and they do not represent a material risk for the companies concerned.

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

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

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

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

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

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

As a result of these developments, the €694 million provision set aside at December 31, 2007, which was reduced to €560 million at June 30, 2008 following payment of the €134 million fine, was increased to €960 million at December 31, 2008 to cover the €896 million fine, together with the cost of the bond and the estimated legal costs over the appeal period. At December 31, 2009, the provision was further increased to €991 million to cover the interest that had accrued since March 9, 2009. 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 Court of First Instance of the European Communities.

NOTE 21 Subsequent events

No material events have occurred since the balance sheet date.

STATUTORY AUDITORS' REPORT

ON THE FINANCIAL STATEMENTS

Year ended December 31, 2009

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, 2009, 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, 2009 and of the results of its operations for the year then ended in accordance with French accounting principles.

II - Justification of our assessments

Accounting estimates used for the preparation of the financial statements for the year ended December 31, 2009 have been made in the context of a sharp deterioration in the economic and financial environment which makes assessing the business outlook very difficult. Against this backdrop, and in accordance 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:

- **Value of financial investments and investments in subsidiaries and affiliates**

As described in Note 1 to the financial statements on accounting principles and methods, the Company carries out impairment tests on a yearly basis for its financial investments and investments in subsidiaries and affiliates. 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, 2009 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 French 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 favour, 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 25, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG AUDIT
Department of KPMG S.A.

Rémi Didier   Jean-Christophe Georghiou

Jean Gatinaud   Jean-Paul Vellutini

MANAGEMENT REPORT

FINANCIAL STATEMENTS OF COMPAGNIE DE SAINT-GOBAIN*

Compagnie de Saint-Gobain ended 2009 with net income of €1,038.0 million (2008: €1,263.5 million), consisting mainly of dividends from subsidiaries and affiliates in the amount of €755.5 million (2008: €985.6 million).

Shareholders' equity before appropriation of income for the year totaled €13,802.9 million at December 31, 2009 (December 31, 2008: €11,325.3 million).

Significant events of the year

Share issues

- On March 23, the Company's capital stock was increased by €1.5 billion through a free allocation of stock warrants. In all, 108,017,212 shares were subscribed at a price of €14.
- On May 12, capital stock was increased by €134 million following the issue of 8,498,377 shares to employees at a price of €15.80 through the Group Savings Plan.
- On June 29, capital stock was increased by €314 million following the issue of 13,805,920 shares at a price of €22.83 to shareholders who exercised their dividend reinvestment option.

Financing programs

As part of the strategy to refinance and extend the average life of Group debt, during 2009 Compagnie de Saint-Gobain carried out the following bond issues:

- On January 26: €1 billion issue due July 28, 2014
- On May 20: €750 million 4-year issue
- On June 29: €200 million 8-year issue

Financial investments in subsidiaries

In 2009, Compagnie de Saint-Gobain injected €3.3 billion in capital into three wholly-owned direct subsidiaries, by underwriting share issues by SPAFI (€2,441 million), Vertec (€400 million) and SG Benelux (€412 million). These capital injections were part of a program to optimize the allocation of financial resources within the Group.

Other compulsory disclosures

Trade accounts payable at December 31, 2009 and 2008 by due date are as follows (disclosure made in application of Article D.441-4):

(in EUR thousands)	2009	2008
Total trade accounts payable	10,200	10,687
Of which past due amounts	*1,203*	*2,604*
Of which due in January and February	*8,992*	*7,655*
Of which due in March and beyond	*5*	*428*

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)	2009	2008	2007	2006	2005
1 - Capital stock at year-end					
Capital stock	2,051,724	1,530,288	1,496,865	1,473,679	1,381,025
Number of common shares outstanding	512,931,016	382,571,985	374,216,152	368,419,723	345,256,270
2 - Results of operations					
Net sales	171,655	199,301	191,669	180,586	172,680
Income before tax, depreciation, amortization and provisions	908,322	1,119,557	591,916	440,209	520,002
Income tax	150,254	160,471	260,296	149,994	55,945
Net income	1,038,013	1,263,527	871,150	849,187	525,130
Total dividend	(1) 508,665	(2) 486,009	(3) 766,732	(4) 621,062	(5) 459,483
3 - Earnings per share (in EUR)					
Earnings per share before tax, depreciation, amortization and provisions	1.77	2.93	1.58	1.19	1.51
Net earnings per share	2.02	3.30	2.33	2.30	1.52
Net dividend par share	1.00	1.00	2.05	1.70	1.36
4 - Employee information (6)					
Average number of employees during the year	224	228	232	236	238
Total payroll for the year	21,302	26,082	28,682	26,663	27,782
Total benefits for the year	13,569	16,081	16,258	15,339	15,306

(1) Based on 512,931,016 shares outstanding (capital stock at December 31, 2009) less 4,265,549 shares held in treasury at January 31, 2010.

(2) 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 in total.

(3) 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 under the leveraged Group Savings Plan, with rights to the 2007 dividend.

(4) Reflecting a €3,800 thousand uplift following the sale of 792,657 shares out of treasury stock between March 1 and June 21, 2007 (ex-dividend date) and the May 15, 2007 issue of 1,442,584 shares under the leveraged Group Savings Plan, with rights to the 2006 dividend.

(5) Reflecting a €146 thousand adjustment for treasury stock transactions between March 1 and June 21, 2006 (ex-dividend date) (purchase of 1,105,000 shares and sale of 997,310 shares).

(6) Employee numbers only include staff at the Company's head office and exclude the German branch.